Printed for the use of the Foreign Office. September 1889.

CONFIDENTIAL.

(5816.)

F.O.

FURTHER CORRESPONDENCE

RESPECTING THE

FINANCES OF EGYPT.

[In continuation of Confidential Paper No. 5737.]

93

January to June 1889.

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[In continuation of Confidential Paper No. 5737.]

January to June 1889.

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CONFIDENTIAL.

Further Correspondence respecting the Finances of Egypt.

No. 1.

Sir A. Paget to the Marquis of Salisbury.—(Received January 3.)

(No. 398. Confidential.)

My Lord, *Vienna, December* 31, 1888.

I HAVE the honour to inform your Lordship that I expressed to Count Kálnoky, in an interview which I had with his Excellency to-day, the thanks of Her Majesty's Government for his friendly action in regard to the proceedings of Count Zaluski, the Austrian Commissioner of the Egyptian Debt, in compliance with the terms of your Lordship's despatches Nos. 162 and 163, both Confidential, of the 18th and 19th instants.

I have, &c.
(Signed) A. PAGET.

No. 2.

Sir E. Baring to the Marquis of Salisbury.—(Received January 7, 1889.)

(No. 393.)

My Lord, *Cairo, December* 24, 1888.

WITH reference to my despatch No. 373 of the 4th instant, I have the honour to inclose herewith copy of a Decree, published in the "Journal Officiel" of the 22nd instant, abolishing octroi dues, weighing dues, and some other small local taxes in fourteen important towns.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 2.

Extract from the "Journal Officiel" of December 22, 1888.

Décrets.

NOUS, Khédive d'Égypte,

Vu notre Décret du 17 Janvier, 1880;

Vu l'avis de MM. les Commissaires de la Caisse de la Dette;

Sur la proposition de notre Ministre des Finances et l'avis conforme de notre Conseil des Ministres,

Décrétons:

Article 1er. La perception des droits d'octroi, de pesage, d'abatage, et de hamlé est supprimée, à partir du 1er Janvier, 1889, dans les villes indiquées ci-après, asvoir:

Chibin-el-Kanater (Moudirieh de Galioubieh); Chobrakit et Mahmoudieh

Moudirieh de Béhéra); Bilbeis (Moudirieh de Charkieh); Fechn (Moudirieh de Minieh); Aboutig, Manfalout et Mellawi (Moudirieh d'Assiout); Tahta, Akhmim, Sohag, et Guergueh (Moudirieh de Guergueh); Keneh et Esneh (Moudirieh de Keneh), et Assouan (Gouvernorat de la Frontière).

Art. 2. Notre Ministre des Finances est chargé de l'exécution du présent Décret.

Fait au Palais d'Abdin, le 17 Rabi-Akher, 1306 (20 Décembre, 1888).

(Signé) MÉHÉMET TEWFIK.

Par le Khédive:
Le Président du Conseil des Ministres,
Ministre des Finances,
(Signé) RIAZ.

No. 3.

Sir E. Baring to the Marquis of Salisbury.—(Received January 7, 1889.)

(No. 402.)

My Lord, *Cairo, December* 30, 1888.

I HAVE the honour to inclose herewith copy of a Notice, published in the "Journal Officiel" of yesterday, notifying some modifications in the manner in which application may be made for payment of coupons of the Daïra Sanieh Debt which have been spoilt, destroyed, lost, stolen, or in any way "frappés d'opposition."

I have, &c.
(Signed) E. BARING.

Inclosure in No. 3.

Extract from the "Journal Officiel" of December 29, 1888.

DETTE GÉNÉRALE DE LA DAÏRA SANIEH.

Instructions relatives aux Coupons ou Titres altérés, détériorés, détruits, perdus ou volés.

PAR suite du Décret du 22 Juin, 1886, aux termes duquel il n'est plus admis d'opposition au paiement des coupons ou au remboursement des titres de la Dette Égyptienne, tout détenteur de titres ou coupons qui en aura été dépossédé par perte ou vol, et qui voudra arrêter le remboursement ou le paiement de ces titres ou coupons, devra adresser une requête au Conseil de la Direction de la Daïra Sanieh au Caire.

Dans cette requête il exposera, autant que possible avec pièces à l'appui, toutes les preuves de sa possession légitime et indiquera les circonstances de la perte ou du vol allégué.

Cette requête pourra être présentée à la Banque Franco-Égyptienne à Paris et à l'Imperial Bank (Limited) à Londres.

Ces établissements pourront, lorsque les circonstances leur paraîtront le comporter, surseoir provisoirement au remboursement et paiement des titres et coupons, objets de la requête, en mettant à ce sursis telles conditions de publicité ou de garantie qu'ils jugeront convenables. Mais la requête sera par eux immédiatement transmise au Conseil de Direction de la Daïra Sanieh au Caire, qui statuera et décidera souverainement si le sursis doit être accordé ou maintenu, pendant combien de temps, et à quelles conditions.

Les personnes qui voudraient que le sursis accordé par le Conseil de Direction de la Daïra Sanieh ou par ses correspondants soit porté immédiatement à la connaissance des autres établissements chargés du service, auront à payer le coût de la dépêche dont elles demanderont l'envoi.

L'instruction de la Caisse de la Dette Publique du 4 Novembre, 1884, publiée au "Moniteur Égyptien" du 5 du même mois, et dont l'adoption par le Conseil de Direction de la Daïra Sanieh a été publiée dans le "Moniteur Égyptien" le 26 Novembre, 1884, relativement au remplacement des titres et coupons détruits ou altérés et au paiement sur fiches ou procès-verbaux des titres ou coupons perdus ou volés, reste en vigueur.

No. 4.

The Marquis of Salisbury to Sir E. Baring.

(No. 19.)

Sir, *Foreign Office, January* 11, 1889.

I TRANSMIT to you herewith a copy of a letter from Messrs. Rothschild, inclosing copies of some correspondence which has taken place between the Egyptian Government and the Commissioners of the Domains with regard to the notice given to the latter by the Egyptian Government that their salaries would be reduced to £ E. 2,000 from the 1st instant.*

Messrs. Rothschild desire to ascertain the views of Her Majesty's Government on the matter in dispute, and I have caused them to be informed that the question would be considered in consultation with you, and that an answer would be sent to them as soon as possible.

It will be seen that the Commissioners contest the right of the Government to make any alteration in the scale of their remuneration without the concurrence of Messrs. Rothschild, on the ground that by the Convention concluded between the Egyptian Government and Messrs. Rothschild on the 1st February, 1879, for the issue of the Domains Loan, the Domains lands were created a trust for the benefit of the bondholders, independent of all control on the part of the Egyptian Government, and that the Commissioners, as trustees for the mortgagees, cannot in any way be regarded as Egyptian officials.

It appears to me that inasmuch as the amount at which the salaries of the Commissioners were fixed was notified at the time to the British and French Governments, who were to select the persons to be appointed, and as, moreover, it was expressly stipulated that the Commissioners could not be removed without the consent of their respective Governments, it is not competent for the Egyptian Government to reduce their salaries without the concurrence of those Governments. Whether they can be reduced without the additional concurrence of Messrs. Rothschild is a more doubtful question. In the absence of further information it is difficult to understand why the conditions under which the salaries of the Commissioners were fixed should have been affected in any way by the Convention of the 1st February, 1879, under which they were made "tiers détenteurs" of the Domains, or, in other words, trustees of the Domains on behalf of the mortgagees.

If Messrs. Rothschild considered it necessary at that time to provide that the salaries fixed with the assent of the three Governments should not be reduced without the consent of the mortgagees, it should have been so stipulated in the Convention. Such an important condition could hardly be left to implication.

The Egyptian Government, however, as it would seem from these papers, assert the right of reducing the salaries by a Ministerial Decree and without the assent of the British and French Governments. This, it appears to me, it is not competent for them to do in the absence of any new Agreement between the three Governments.

Messrs. Rothschild have since communicated to me a further letter from Mr. Gibson, the British Commissioner, a copy of which is inclosed, from which it appears that the matter may possibly be arranged without the necessity for any action on the part of Her Majesty's Government. I shall, however, be glad to receive a report from you on the subject, as well as to learn what has taken place in the matter since the date of the correspondence forwarded herewith.

I am, &c.
(Signed) SALISBURY.

No. 5.

Foreign Office to Mr. Whitehouse.

Sir, *Foreign Office, January* 12, 1889.

WITH reference to my letter of the 13th August last, and to previous correspondence, respecting your scheme for the creation of a large reservoir in the Wady Raian Basin for the storage of Nile water for irrigation purposes, I am directed by the Marquis of Salisbury to inform you that Her Majesty's Agent and Consul-General at Cairo has received a note from the Egyptian Minister for Foreign Affairs stating that

* Messrs. Rothschild, December 18, 1888.

the project has been carefully examined by the Egyptian Government, but that after full consideration they have come to the conclusion that they cannot adopt your proposals.

While the benefits which might accrue from the adoption of the scheme are fully acknowledged, the Egyptian Government regret that their actual financial situation will not allow them to devote to this purpose the sum which it is estimated would be necessary for carrying out the work; and if later on the financial situation should improve, it is considered that any resources at the disposal of the Government should by preference be employed in diminishing the amount of "sharaki" lands, *i.e.*, those left unirrigated by a low Nile.

I am to add that Her Majesty's Agent and Consul-General, while regretting that Egypt is not able to profit by the execution of the project which you have prepared with so much care and skill, states that he has satisfied himself that the project has been considered with the greatest care and attention by Sir C. Scott-Moncrieff and Colonel Ross, who, as you are aware, are the responsible advisers of the Khedivial Government in such matters, and that he cannot but recognize the force of the arguments on which the decision arrived at by the Egyptian Council of Ministers is based.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 6.

Sir E. Baring to the Marquis of Salisbury.—(Received January 14.)

(No. 5.)

My Lord, *Cairo, January* 3, 1889.

I HAVE the honour to inclose copy of a Khedivial Decree published in yesterday's "Journal Officiel" providing that from the 1st instant the employés of the Administration of the Wakfs, or religious institutions, will no longer be looked upon as Government servants, and will have no claim to pension or remuneration from the Government for services rendered to the Wakfs after that date. This Decree is not retrospective, and claims for pensions and indemnities for service up to the 31st December last will be respected by the Government.

The only exceptions to this rule will be the Director, the Sub-Director, and the Chief Engineer of the Wakfs, who will still continue to be looked upon as employés of the Government, and will serve, as regards pensions, under the usual conditions of the Egyptian Civil Service.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 6.

Extract from the "Journal Officiel" of January 2, 1889.

Decree.

NOUS, Khédive d'Égypte,

Sur la proposition de notre Ministre des Finances et l'avis conforme de notre Conseil des Ministres;

Le Conseil Législatif entendu;

Décrétons:

Article 1er. Les pensions inscrites ou à inscrire au Rouznameh pour des services rendus jusqu'au 31 Décembre, 1888, au profit de fonctionnaires ou employés des Wakfs demeurent à la charge du Trésor; le Gouvernement renonce à réclamer aux Wakfs la part des dites pensions incombant à cette Administration, aux termes de la décision du Conseil des Ministres du 5 Mars, 1888.

Art. 2. Les droits acquis par les fonctionnaires et employés des Wakfs à une pension ou à une indemnité pour des services rendus, soit dans des Administrations de l'État, soit dans l'Administration des Wakfs jusqu'au 31 Décembre, 1888, sont respectés; le règlement de la pension ou de l'indemnité se fera le jour où le fonctionnaire ou l'employé aura cessé ses fonctions aux Wakfs.

Art. 3. A partir du 1er Janvier, 1889, les employés de l'Administration des Wakfs, à l'exception du Directeur, Sous-Directeur (Wékil), et Ingénieur-en-chef, ne seront plus considérés comme employés du Gouvernement, et n'auront par conséquent aucun droit ni à la pension ni à l'indemnité à réclamer à l'État.

Art. 4. Notre Ministre des Finances est chargé de l'exécution du présent Décret.

Fait au Palais d'Abdine, le 28 Rabi-Akher, 1306 (31 Décembre, 1888).

(Signé) MÉHÉMET TEWFIK.

Par le Khédive:
Le Président du Conseil des Ministres,
Ministre des Finances,
(Signé) RIAZ.

No. 7.

Treasury to Foreign Office.—(Received January 17.)

Sir, *Treasury Chambers, January* 17, 1889.

ADVERTING to the letter from this Department of the 28th ultimo, I am directed by the Lords Commissioners of Her Majesty's Treasury to request that you will inform the Marquis of Salisbury that they have been advised that a further sum of 91,562*l.* 19*s.* 6*d.* was received from the Egyptian Government on the 31st ultimo at the Bank of England for the credit of Her Majesty's Government, and they have learnt from the Treasury Chest Officer at Cairo that another sum of 50,000*l.* has been paid into the Treasury Chest by the Egyptian Government.

I am accordingly to inclose a receipt for these sums amounting together to 141,562*l.* 19*s.* 6*d.*, which I am to request may be transmitted to the Government of His Highness the Khedive.

My Lords have now before them Sir E. Baring's despatch No. 390 of the 23rd December, and its inclosure from the Egyptian Minister for Foreign Affairs. They note with satisfaction that taking into account the sum of 39,765*l.* 14*s.* 10*d.*, representing the deduction made from the interest on the Suez Canal shares purchase-money in 1885 and 1886, to which Her Majesty's Government have undertaken to waive claim, the Egyptian Government are able to show that they have discharged their liabilities, up to the 31st ultimo, that is to say:—

1. The amount payable to Her Majesty's Government up to the 31st ultimo was—

	£	£
1. In respect of a year's interest on the purchase-money of the Suez Canal shares		198,829
2. In respect of the Capitation Grant, viz.—		
(*a.*) Arrears on account of 1887–88	50,000	
(*b.*) Three-quarters payment on account of 1888–89 ..	82,500	
		132,500
Total		331,329

2. The amount received from the Egyptian Government up to the 31st ultimo has been—

	£	*s.*	*d.*
1. Advised by Bank in November 1888	100,000	0	0
2. Advised by Bank in December 1888	50,000	0	0
3. Further advised by Bank in December 1888	91,562	19	6
4. Now advised by Treasury Chest Officer at Cairo	50,000	0	0
	291,562	19	6

leaving a balance of 39,766*l.* equivalent to the deduction already referred to.

There remains to be paid by the 31st March next the quarter's instalment in respect of the Capitation Grant for 1888-89, viz., 27,500*l.*

I am, &c.
(Signed) R. E. WELBY.

No. 8.

The Marquis of Salisbury to Sir R. Morier.

(No. 30.)

Sir, *Foreign Office, January* 18, 1889.

I HAVE received your Excellency's despatch No. 442 of the 30th ultimo, forwarding copy of a Memorandum from M. de Giers, stating that instructions had been sent to the Russian Agent at Cairo to accept the proposal for the prolongation of the Mixed Tribunals in Egypt for a further period of five years, with the adoption of the provisions contained in Annex (D) of Riaz Pasha's Circular, provided that the other Powers and the Khedivial Government are agreed on the subject.

I shall be glad if you will take an opportunity of conveying to M. de Giers my thanks for this communication, informing his Excellency at the same time of the satisfaction with which Her Majesty's Government have learnt that the Imperial Government are ready to accept this solution of the question.

No. 9.

Sir E. Baring to the Marquis of Salisbury.—(Received January 20.)

(No. 27.)

My Lord, *Cairo, January* 10, 1889.

WITH reference to previous correspondence respecting the facilities offered by the Egyptian Government for the exchange of pensions for land, I have the honour to inclose herewith copy from yesterday's "Journal Officiel" of the Rules affecting the exchange of the pensions of widows.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 9.

Extract from the "Journal Officiel" of January 9, 1889.

MINISTÈRE DES FINANCES.

Règlement concernant l'Échange contre des Terres des Pensions des Veuves.

ARTICLE 1er. Toute veuve désirant échanger sa pension contre des terres adressera au Ministère des Finances une demande (modèle No. 1) et y joindra:

1. Un certificat (modèle No. 2) établissant son identité et quand il y aura lieu, celle de ses enfants. Ce certificat sera signé par deux témoins, le Cheikh-el-Harrah et visé par le Mamour-el-Toum (l'officier du Caracol).

2. Si elle désire ne pas remplir elle-même les formalités stipulées à l'Article 6, une procuration (modèle No. 3) qui sera légalisée gratuitement par le Mehkémé ou les Tribunaux Indigènes.

Art. 2. Après avoir reçu ces documents, le Ministère invitera la veuve, et s'il y a lieu un ou deux de ses enfants, à comparaître devant une Commission Médicale composée de médecins et de sages-femmes, qui leur délivrera un certificat (modèle No. 4) constatant leur état de santé et leur âge.

Art. 3. Le Service des Pensions fera ensuite connaître (modèle No. 5) les conditions de la pension, si elle est militaire ou civile, la durée de la pension, les noms et âges des enfants inscrits à la Rouznameh, &c.

Art. 4. Le dossier sera alors soumis à la Commission Spéciale instituée par Décret du 7 Mai, 1888. Cette Commission, après examen du certificat médical (modèle No. 4) et des renseignements fournis par le Service des Pensions (modèle No. 5) fixera, séance tenante, la valeur en capital de la pension, en procédant de la façon suivante:—

(*a.*) Cas soumis à l'échelle (*a*) du Règlement (c'est-à-dire selon l'âge de la veuve).

1. Veuve seule, pension militaire ou civile.
2. Veuve avec filles seulement, au moment du décès du mari (civile.)
3. Veuve qui avait des fils et des filles et dont les fils sont morts avant d'atteindre leur majorité (civile).
4. Veuve d'un militaire avec un ou plusieurs enfants.

(*b.*) Cas soumis à l'échelle (*b*) du Règlement (c'est-à-dire selon la durée de la pension).

1. Veuve avec un ou plusieurs fils (civile).
2. Veuve avec un fils et une fille ou plusieurs fils et plusieurs filles (civile).
3. Toute veuve soumise à la nouvelle Loi sur les Pensions, du 21 Juin, 1887.
4. Veuve dont le fils unique ou les fils sont devenus majeurs et qui a une fille ou plusieurs filles non mariées (civile).

Art. 5. La décision de la Commission fixant le montant du rachat de la pension, sera inscrite sur un certificat (modèle No. 6), qui sera délivré à la veuve ou à son procureur.

Art. 6. Muni de ce certificat, la veuve ou son procureur se rendra à la Commission des Domaines si elle veut des terres des Domaines ou au Ministère des Finances, si elle veut des terres libres, et toutes les autres formalités telles que signature de contrat, réception des terres, jusqu'à la radiation de la pension des registres de la Rouznameh, seront remplies comme il est indiqué dans le Règlement relatif à l'échange des pensions des fonctionnaires actuellement en vigueur.

Art. 7 La veuve ayant échangé sa pension deviendra propriétaire définitive des terres qui lui auront été données en échange de cette pension; elle aura le droit de se remarier, et dans tous les cas les pensions dont ses enfants sont titulaires continueront à leur être servies, dans les conditions fixées par les lois qui les ont accordées.

Échelle pour les Veuves.

(A.)—SELON l'âge de la Veuve et pour 100 livres de Pension.

Age.	£ E.	Age.	£ E.	Age.	£ E.	Age.	£ E.
17	300	30	500	43	570	56	437
18	316	31	520	44	562	57	425
19	333	32	540	45	553	58	412
20	350	33	560	46	544	59	399
21	360	34	580	47	534	60	386
22	370	35	600	48	524	61	371
23	380	36	597	49	514	62	357
24	390	37	594	50	504	63	342
25	400	38	591	51	493	64	326
26	420	39	588	52	483	65	309
27	440	40	584	53	472		
28	460	41	580	54	461		
29	480	42	578	55	449		

(B.)—SELON la Durée de la Pension et pour 100 livres de Pension.

	£ E.		£ E.
Durée 3 ans	148	Durée 8 ans	400
„ 4 „	217	„ 9 „	442
„ 5 „	279	„ 10 „	481
„ 6 „	335	„ 11 „	490
„ 7 „	386	„ 12 „	500

N.B.—Pour appliquer l'Échelle (B) le maximum pour un fils (15 ans) et pour une fille (17 ans) prendre la moyenne des âges des deux enfants les plus jeunes.

Fait au Caire, le 13 Décembre, 1888.

No. 10.

Sir E. Baring to the Marquis of Salisbury.—(Received January 20.)

(No. 28.)

My Lord, *Cairo, January* 10, 1889.

I HAVE the honour to inclose a Statement of the present condition of the reserve fund, which was published by the Commissioners of the Caisse in yesterday's "Journal Officiel."

Your Lordship will observe that this fund amounts to 519,577*l.*, of which nearly the whole is invested in Unified and in Daïra Sanieh stocks.

A Statement of the situation of this fund will be published by the Commission of the Debt every six months.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 10.

Extract from the "Journal Officiel" of January 9, 1889.

CAISSE DE LA DETTE PUBLIQUE.

*Fonds de Réserve.**

SITUATION au 31 Décembre, 1888.

RECETTES.

	£ E. m.
1. Économies réalisées sur l'Exercice Budgétaire 1887 par suite de modifications dans le système de comptabilité	340,000 000
2. La moitié des excédents de l'Exercice 1887	68,309 988
3. Produit des ventes effectuées depuis le 1er Janvier jusqu'au 30 Septembre, 1888, de terres et immeubles libres non catalogués	40,010 494
4. Coupons encaissés sur les titres des Dettes Unifiée et Daïra Sanich ..	20,101 380
Total	468,421 862

EMPLOI.

Achat de 328,924*l.* Unifiée au cours moyen, frais compris, de 74$\frac{13}{32}$, 244,943*l.*	238,799 550
Achat de 306,500*l.* Daïra au cours moyen, frais compris, de 75$\frac{3}{8}$, 231,024*l.*	225,322 498
Remis au Ministère des Finances pour la construction de l'Hôtel de la Caisse, avance remboursable par le Budget Administratif au moyen des économies à réaliser ultérieurement sur le loyer	1,465 880
Solde en espèces	2,833 934
Total, égal	468,421 862

COMPOSITION ACTUELLE DU FONDS DE RÉSERVE.

Titres déposés à la Caisse de la Dette, ou pour son compte à la Banque d'Angleterre à Londres, et chez MM. de Rothschild, Frères, à Paris—	
328,920*l.* nom. d'Unifiée, valant au cours du 31 Décembre, 83$\frac{1}{8}$, 273,415*l.*	266,579 625
306,500*l.* nom. Daira, valant au cours du 31 Décembre, 78$\frac{7}{8}$, 241,752*l.*	235,708 200
Avance remboursable par le Gouvernement	1,465 880
Solde en espèce à la Caisse	2,833 934
	506,587 639
Ou	£ 519,577

Les Commissaires-Directeurs,
(Signé) Baron RICHTHOFEN.
LE CHEVALIER.
MACHIAVELLI.
A. MONEY.
ZALUSKI.

Le Caire, le 7 Janvier, 1889.

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* La Commission de la Dette publiera semestriellement la situation de ce fonds etabli par le Décret du 12 Juillet, 1888.

No. 11.

Sir E. Baring to the Marquis of Salisbury.—(Received January 26, 2·40 P.M.)

(No. 36.)
(Telegraphic.) *Cairo, January* 26, 1889.

ACCOUNTS of last year are about to be published, showing surplus of 69,000*l.* Result is very satisfactory. Details by post.

No. 12.

Sir E. Baring to the Marquis of Salisbury.—(Received January 28.)

(No. 31.)
My Lord, *Cairo, January* 13, 1889.

I HAVE the honour to inclose a Statement published in yesterday's "Journal Officiel," showing the progress made in the exchange of pensions for land. From this Statement it appears that during the past year 582 pensioners, whose joint pensions amounted to £ E. 31,230 per annum, exchanged their pensions for a little over 18,060 acres of State lands.

Since the commencement of the operations in 1886, the exchange has been definitely effected in the case of 999 pensioners, whose annual pensions amounted to £ E. 87,614, the capitalization of which was fixed at £ E. 759,320. There still remain under consideration at the present moment 372 demands for exchange, representing a capitalized value of £ E. 145,559, and it is officially stated that there is every reason to believe that the exchange of these will be definitely arranged in a short time.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 12.

Extract from the "Journal Officiel" of January 12, 1889.

MINISTÈRE DES FINANCES.

Échange des Pensions.

Situation au 31 Décembre, 1888.

(A.) DU 1er au 31 Décembre, 1888, 582 pensions ont été échangées contre des terres, en vertu des contrats passés avec les pensionnaires, savoir :—

	Nombre.	Pensions annuelles.	Montant du Rachat.	Superficie.	
		£ E.	£ E.	Fed.	Pics.
Pour domaines	406	26,506	272,360	12,729	..
Pour terres libres	176	4,724	59,300	5,322	94,061
Total	582	31,230	331,660	18,051	94,061

La somme de £ E. 331,660 ci-dessus a été payée par le Gouvernement comme suit :—

	£ E.	£ E.
Aux domaines—		
Pour rachat	206,756	257,406
Pour réduction 20 pour cent	50,650	
Au compte des terres libres		53,348
Aux pensionnaires en argent comptant		17,644
Dépôt restant aux noms de plusieurs pensionnaires		3,262
Total		331,660

(B.) Les demandes d'échange de pensions reçus depuis le commencement des opérations de l'échange (en 1886) et dont les auteurs ont subi la visite médicale et ont été admis par la Commission à bénéficier de l'échange, sont au nombre de 1,371 et sont

inscrits au Budget pour une somme annuelle de £ E. 106,815. Le montant de ces demandes a été fixé à £ E. 904,879.

Sur ces 1,371 demandes, l'échange a été définitivement effectué pour 999 pensionnaires, savoir :—

	Nombre.	Pensions annuelles.	Montant du Rachat.		
			Capital fixé.	Réduction de 20 pour cent sur les Prix des Domaines.	Total.
		£ E.	£ E.	£ E.	£ E.
Sur le crédit de £ E. 550,000 ..	417	56,384	478,310	69,712	548,022
" £ E. 450,000 ..	582	31,230	281,010	50,650	331,660
Total	999	87,614	759,320	120,362	879,682

Ainsi, il reste à liquider 372 demandes, représentant une valeur capitalisée de £ E. 145,559; instruction de ces demandes est déjà très avancée, et il est à croire qu'elles seront définitivement liquidées en peu de temps.

Le Tableau ci-après donnera une idée de l'importance des demandes reçues, mois par mois, au Ministère des Finances, depuis le 1er Janvier au 31 Décembre, 1888 :—

	Nombre.	Montant du Rachat.
		£ E.
Janvier	42	20,445
Fevrier	31	16,563
Mars	24	14,675
Avril	44	19,601
Mai	20	13,898
Juin	62	24,575
Juillet	43	18,013
Août	31	7,283
Septembre	42	13,957
Octobre	56	16,529
Novembre	54	21,324
Décembre	107	64,745
Total	556	251,608

(C.) La Commission chargée d'échanger les pensions contre des terres a tenu, du 15 Mai au 31 Décembre, 1888, cinquante-cinq séances dans lesquelles elle a examiné 954 pensionnaires émargeant au Budget pour £ E. 50,431.

L'âge moyen déclaré par ces pensionnaires était de 45·13 ans et la Commission, se basant sur les certificats médicaux, les a admis à l'échange, à raison d'un âge moyen de 51·62 ans; la majoration est donc de 6½ ans en moyenne par pensionnaire.

(D.) Sont morts, après avoir achevé l'échange, vingt pensionnaires, dont le Gouvernement a racheté les pensions pour une somme de £ E. 49,818, ce qui représente environ 5 pour cent en deux ans du total du capital dépensé. Il y a lieu de remarquer que la perte de £ E. 49,848 n'est que fictive, étant donnée la réversibilité de ces pensions sur la tête des héritiers.

Le Caire, le 5 Janvier, 1889.

No. 13.

The Marquis of Salisbury to Sir E. Baring.

(No. 28.)
(Telegraphic.) *Foreign Office, January* 29, 1889, 3·50 P.M.

YOUR telegram No. 36 received with much satisfaction.

Pray congratulate Egyptian Government and Sir E. Vincent on result of their efforts.

No. 14.

Sir E. Baring to the Marquis of Salisbury.—(Received February 4.)

(No. 54.)
My Lord, *Cairo, January* 24, 1889.

I HAVE the honour to inclose herewith copy of a Khedivial Decree published in yesterday's "Journal Officiel," authorizing the commutation of pensions of £ E. 12 or under. The commutation is not obligatory on either the Government or the pensioners. The scales of commutation for different classes of pensioners are annexed to the Decree.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 14.

Extract from the "Journal Officiel" of January 23, 1889.

Décret.

NOUS, Khédive d'Égypte,

Sur la proposition de notre Ministre des Finances et l'avis conforme de notre Conseil des Ministres;

Décrétons:

Article 1er. Le Ministre des Finances est autorisé à racheter contre de l'argent comptant toute pension égale ou inférieure à £ E. 12 par an.

Art. 2. Le rachat n'est obligatoire ni pour le Gouvernement ni pour les pensionnaires. Lorsqu'il est effectué il éteint tous droits à la pension tant vis-à-vis des pensionnaires que vis-à-vis de leurs héritiers ou ayants droit.

Art 3. Le rachat sera effectué suivant les cinq Tableaux ci-annexés et après constatation de l'âge du pensionnaire.

Art. 4. Notre Ministre des Finances est chargé de l'exécution du présent Décret.

Fait au Palais d'Abdine, le 18 Gamad-Ewel, 1306 (20 Janvier. 1889).

(Signé) MÉHÉMET TEWFIK.

Par le Khédive:
Le Président du Conseil des Ministres,
Ministre des Finances,
(Signé) RIAZ.

TABLEAUX ANNEXES.

Échelle (A).—*Pensions Réversibles après Décès.*

VALEUR d'une Pension de £ E. 100.

Age.	£ E.	Age.	£ E.	Age.	£ E.	Age.	£ E.	Age.	£ E.
Ans.		Ans.		Ans.		Ans.		Ans.	
20	930	31	869	42	785	53	673	64	528
21	924	32	863	43	776	54	661	65	513
22	920	33	855	44	767	55	650	66	496
23	915	34	849	45	758	56	637	67	480
24	910	35	842	46	748	57	625	68	462
25	905	36	834	47	738	58	612	69	445
26	900	37	827	48	727	59	599	70	428
27	894	38	819	49	717	60	586	71	410
28	888	39	810	50	705	61	572	72	393
29	882	40	802	51	695	62	558	73	375
30	876	41	793	52	684	63	543	74	357

Echelle (B).—*Pensions Payables jusqu'au Décès seulement.*

VALEUR d'une Pension de £ E. 100.

Age.	£ E.	Age.	£ E.	Age.	£ E.	Age.	£ E.	Age.	£ E.
Ans.		Ans.		Ans.		Ans.		Ans.	
20	830	31	769	42	685	53	573	64	428
21	824	32	763	43	676	54	561	65	413
22	820	33	755	44	667	55	550	66	396
23	815	34	749	45	658	56	537	67	380
24	810	35	742	46	648	57	525	68	362
25	805	36	734	47	638	58	512	69	345
26	800	37	727	48	627	59	499	70	328
27	794	38	719	49	617	60	486	71	310
28	788	39	710	50	605	61	472	72	293
29	782	40	702	51	595	62	458	73	275
30	776	41	693	52	584	63	443	74	257

Échelle (C).—*Pensions des Fils et des Filles Héritiers.*

VALEUR d'une Pension de £ E. 100.

Durée.	£ E.	Durée.	£ E.	Durée.	£ E.	Durée.	£ E.	Durée.	£ E.
Ans.		Ans.		Ans.		Ans.		Ans.	
1	90	5	379	9	575	13	710	17	802
2	173	6	435	10	614	14	736	18	820
3	248	7	486	11	649	15	760	19	836
4	317	8	533	12	681	16	782	20	851

N.B.—Les maxima sont—

Pour un fils de civil 15 ans ou 16 ans, si la pension est régie par la Loi du 21 Juin 1887, sur les pensions.

Pour un fils de militaire 21 ans, si la pension est régie par la Loi du 21 Juin, 1887, sur les pensions.

Pour une fille de 20 ans, si la pension est régie par la Loi du 21 Juin, 1887, sur les pensions.

Erratum.

Une erreur s'est glissée dans la publication du Décret sur les pensions, inséré dans le dernier numéro du "Journal Officiel" en date du 23 Janvier.

Les paragraphes 2 et 3 du *Nota Bene* faisant suite à l'Échelle (C), relative aux pensions des fils et des filles héritiers, doivent être rétablis comme suit—

Au lieu de—

§ 2.—Pour un fils de militaire 21 ans, si la pension est régie par la Loi du 21 Juin, 1887, sur les pensions.

§ 3.—Pour une fille de 20 ans, si la pension est régie par la Loi du 21 Juin, 1887, sur les pensions.

Il faut lire—

§ 2.—Pour un fils de militaire 21 ans, et 16 ans si la pension est régie par la Loi du 26 Juillet, 1888.

§ 3.—Pour une fille de 20 ans, et 16 ans si la pension est régie par la Loi du 21 Juin, 1887, ou celle du 26 Juillet, 1888, sur les pensions.

Échelle (D).—*Pensions des Veuves et des Mères (selon l'âge) et des Filles âgées de 17 ans et au-dessus.**

VALEUR d'une Pension de £ E. 100.

Age.	£ E.	Age.	£ E.	Age.	£ E.	Age.	£ E.	Age.	£ E.
Ans.		Ans.		Ans.		Ans.		Ans.	
17	300	27	440	37	594	47	534	57	425
18	316	28	460	38	591	48	524	58	412
19	333	29	480	39	588	49	514	59	399
20	350	30	500	40	584	50	504	60	386
21	360	31	520	41	580	51	493	61	371
22	370	32	540	42	578	52	483	62	357
23	380	33	560	43	570	53	472	63	342
24	390	34	580	44	562	54	461	64	326
25	400	35	600	45	553	55	449	65	309
26	420	36	597	46	544	56	437		

* Pour les veuves et les mères dont le service de la pension cesse à leur mariage ou à leur décès, et pour les filles ayant 17 ans et au-dessus.

Échelle (D b).—*Pensions de Veuves (selon la durée de la Pension).**

VALEUR de £ E. 100 par an.

Durée.	£ E.	Durée.	£ E.	Durée.	£ E.	Durée.	£ E.
Ans.		Ans.		Ans.		Ans.	
2	73	5	279	8	400	11	490
3	148	6	335	9	442	12	500
4	217	7	386	10	481		

N.B.—Pour appliquer cette échelle, le maximum pour un fils est de 15 ans, et pour une fille de 17 ans (ou 16 ans si la pension est réglée par la Loi du 21 Juin, 1887), prendre la moyenne de la durée de la pension d'après l'âge de l'enfant ou des deux enfants les plus jeunes.

* Pour les veuves dont le service de la pension cesse à la majorité de leurs fils et au mariage de leurs filles.

No. 15.

Sir E. Baring to the Marquis of Salisbury.—(Received February 4.)

(No. 64.)

My Lord, *Cairo, January* 27, 1889.

I HAVE the honour to transmit herewith copy of a note by Mr. Palmer, Director-General of Accounts, showing the financial results of 1888. These results are, I venture to think, satisfactory and reflect great credit on the financial administration of the past year. Mr. Palmer has informed me that the accounts for the past year will shortly be published in official form, and I propose thereupon to address your Lordship in detail upon the subject, as I have done in former years.

I have also the honour to inclose a note by Sir E. Vincent upon the Budget of 1889. This note was drawn up before Sir E. Vincent's departure for Upper Egypt, and, consequently, before the final results for the year 1888 were known.

I have, &c.

(Signed) E. BARING.

Inclosure 1 in No. 15.

Memorandum.

THE accounts of the year 1888, which have just been closed, show the following results:—

	£ E.
Revenue	9,671,000
Expenditure	9,602,000
Surplus	69,000

The net surplus of the assigned revenues, after deducting the sum the Caisse de la Dette has to make over to the Government to cover the difference between the non-assigned revenues and the amount the Government is authorized to expend, amounts to £ E. 186,000, which sum has to be divided between the Government and the reserve fund.

In addition to the £ E. 93,000 thus added to the reserve fund, £ E. 20,000 on account of interest on the funds invested, and £ E. 50,000 on account of sale of lands have been added, making a total of £ E. 163,000 during the year. The reserve fund consequently now amounts to over £ E. 600,000.

A very satisfactory feature of the 1888 accounts is that, notwithstanding the very heavy military expenditure, the Government has been able to keep its administrative expenditure within the sum fixed by the London Convention and subsequent Decrees, and has not had to make use of its share of the surplus of the assigned revenues of 1888 nor of that of previous years, which surplus now amounts to over £ E. 160,000.

The Government has thus a reserve fund of £ E. 600,000 deposited at the Caisse de la Dette and one of £ E. 160,000 in its own Treasury, in all £ E. 760,000.

(Signed) ELWIN PALMER,
Director-General of Accounts.

January 26, 1889.

Inclosure 2 in No. 15.

Note on the Budget, 1889.

THE following Table shows the estimated revenue for 1889 compared with the revenue realized in 1886 and 1887:—

	1886.	1887.	Estimate for 1889.
	£ E.	£ E.	£ E.
Direct taxation—			
Land tax	5,140,907	5,168,932	4,853,000
Professional tax	154,536	147,666	150,000
Tax on property	45,646	110,281	120,000
Sheep and goats	34,129	31,838	35,000
Carriages, &c.	7,899	6,959	8,000
Oil presses	3,232	3,255	3,000
Indirect taxation—			
Customs receipts	930,523	936,676	1,120,000
Octrois	303,242	305,888	290,000
Salt and natron	201,570	209,624	220,000
Fisheries	76,206	82,443	80,000
Navigation dues	72,673	75,555	75,000
Legal stamps, &c.	50,255	51,920	55,000
Sundries	77,394	79,518	70,000
Revenues from Administrations—			
Railways	1,266,967	1,296,658	1,390,000
Port of Mex and Hélouan Railway ..	8,421	9,483	600
Telegraphs	37,170	34,891	25,000
Port of Alexandria	106,741	111,422	110,000
Post Office	112,659	122,110	116,000
Postal boats	120,364	116,667	115,000
Lighthouses	86,470	89,067	95,000
Ports and harbours	3,696	3,741	3,400
Assay Office	5,280	5,150	5,500
Courts of Justice	283,960	280,348	310,000
Military exemption	249,900	28,100	100,000
Miscellaneous receipts	54,100	85,593	60,000
Government property	89,139	83,673	75,000
Receipts at Suakin	..	15,100	12,500
Contributions to Pension Fund	51,314	47,010	70,000
Suez Canal lands	..	77,150	..
Total	9,574,393	9,616,358	9,567,000

The final Returns for 1888 are not yet complete, so that no satisfactory comparison can be made. It will be seen that the estimated revenue for 1889 amounts to £ E. 9,567,000, compared with 1887, £ E. 9,616,358, and 1886, £ E. 9,574,393. The most important differences between the estimated figures for 1889 and the actual revenue for 1887 are as follows:—

In 1887 the land revenue brought in £ E. 5,169,000, whereas in 1889 it is estimated to give only £ E. 4,853,000, or a reduction of £ E. 316,000. The lower estimate is due to a diminution of the revenue from the general land tax of £ E. 300,000, and a reduction of the native tobacco tax of £ E. 25,000.

It is estimated, on the other hand, that new assessments on land recently brought into cultivation will give £ E. 9,000. The reduction of the land tax estimate by £ E. 300,000 is based upon the expectation that the low Nile of 1888 will leave 260,000 feddans in Upper Egypt uncultivated in 1889. It will be impossible for some months to ascertain the precise number of feddans which have not been irrigated, as many proprietors have remedied the deficiency of the Nile flood by pumping water on their lands. In these cases a reduction of half the land tax is made. The figure of 260,000 feddans appears, however, to be based on reliable data. But it is not enough to know the number of feddans which will be unirrigated. It is also requisite to

ascertain the average land tax of the land which can thus claim to be relieved from taxation.

The following Table shows the amount of "charaki" or unirrigated land in each year since 1877, and the amount of land tax remitted. It will be noticed that in every year except 1877 the average rate per feddan has been less than £ E. 1.

	Feddans.	£ E.
1877	947,471	1,111,880
1878–80	120,000	110,000
1881	49,248	40,124
1882	7,350	4,107
1883	42,555	34,231
1884	9,132	7,394
1885	110,499	100,215
1886	10,295	7,982
1887	11,932	7,598

The reduction of the land tax estimate by £ E. 300,000, in respect of the 260,000 feddans, allows a certain margin and may, therefore, be considered a safe estimate.

With regard to native tobacco, the Minister of Finance based the Budget Estimate on the assumption that not more than 350 feddans would be planted with this crop in 1889. More recent information, however, goes to show that, notwithstanding the large increase of the tax, at least 700 feddans will be planted in 1889, the price of native tobacco having risen to such an extent as to render this crop remunerative even under the increased tax. The Budget Estimate will therefore be exceeded by a considerable sum.

At the time when the native tobacco tax was raised from £ E. 2½ to £ E. 30 per feddan, it was thought that native consumers, having under the new conditions to pay nearly as high a price for Egyptian tobacco as for Greek and Turkish, would transfer their custom to the latter; so far, however, this has not been the case. Native tobacco has risen from P. T. 3 per kilog. to P. T. 15 per kilog., while Greek tobacco has only risen from P. T. 16 to P. T. 20.

Notwithstanding this change in the relative prices of the two articles, the consumption of Greek and Turkish tobacco has not increased, and natives appear to prefer the inferior Egyptian tobacco, to which they are accustomed, to finer foreign brands, even when the prices of both are nearly equal. Caution must, however, be exercised in drawing deductions from the results of 1888. An enormous stock of native tobacco, estimated at over 5,000,000 kilog., had accumulated at the commencement of that year and has not yet been entirely exhausted. The normal working of the new régime has, therefore, not yet commenced. It is worthy of notice that notwithstanding the great increase of the tax on native tobacco, it is still treated favourably as compared with foreign tobacco, while foreign tobacco pays on entry into Egypt a lower duty than that levied in most European countries.

Railway Revenue.

The railway revenues for the years 1885-6-7 have been as follows:—

	Goods.	Passenger Traffic.	Miscellaneous.	Total.
	£ E.		£ E.	£ E.
1885	901,217	511,675	67,768	1,480,660
1886	771,528	447,936	47,503	1,266,967
1887	791,075	431,282	74,211	1,296,568

The large receipts of 1885 were due to military transports, and do not afford a fair comparison with those of other years.

When it became clear that the Government would have to obtain some increase of revenue in 1889, in order to balance the Budget, my attention was at once turned to the subject of railway rates. Hitherto rates for goods on the Egyptian railways have been based on what is called the kilometric system, that is to say, that if the transport

of a ton of goods of a given class costs 1*d.* for 1 mile, it will cost 20*d.* for 20 miles, and 100*d.* for 100 miles, no matter what the competition or what the cost of traction.

This kilometric, or equal mileage, theory has proved unworkable in Egypt, and during the last few years the Railway Administration has frequently broken through the rule and made special rates to meet competition. No attempt has, however, been made to follow the practice, which is now universal on Eurepean railways, of charging a lower rate per mile for long hauls than for short hauls. The consequence is that the Egyptian railway rates, compared with those of other countries, were exceedingly low for short distances and somewhat high for long distances.

Much interesting information on this subject was obtained by the President of the Railway Board, Halton Bey, during this summer, when he visited and investigated several of the larger European systems. The result is embodied in a proposal prepared with much skill by him, to place Egyptian railway rates on the same general basis as those which have been found most advantageous in other countries.

The general rate for goods has hitherto been as follows:—

	Per Mile.		Per Mile.
	d.		*d.*
1st class	5·67	5th class	1·41
2nd „	4·25	6th „	0·98
3rd „	2·82	7th „	0·56
4th „	2·10		

The result of communications between the Government and the Railway Board has been an agreement on a new General Tariff, which will come into force on the 15th January, 1889.

The following Table gives the comparison between the existing Tariff and the proposed Tariff:—

Distance in Miles.	Proposed Tariff.	Actual Tariff.	Proposed Tariff.	Actual Tariff.	Proposed Tariff.	Actual Tariff.	Proposed Tariff.	Actual Tariff.	Proposed Tariff.	Actual Tariff.	Proposed Tariff.	Actual Tariff.
	Paras.	Paras.	Paras.	Paras.	Paras.	Paras.	Paras.	Paras.	Paras.	Paras.	Paras.	Paras.
50	160	150	120	100	90	75	60	50	45	35	25	20
100	310	300	230	200	172½	150	115	100	85	70	47½	40
150	450	450	330	300	247½	225	165	150	120	105	67½	60
200	580	600	420	400	315	300	210	200	150	140	85	80
250	700	750	500	500	375	375	250	250	175	175	100	100
300	810	900	570	600	427½	450	285	300	195	210	115	120
350	900	1,050	630	700	472½	525	315	350	215	245	130	140

The highest and most expensive class of goods has been abolished, articles which were previously charged at this rate being now placed in the second class. It will be seen that a considerable reduction is made on the long hauls, especially in the higher classes, whereas an increase is made for short hauls.

A revision of the lock dues on the Mahmoudieh and Ismaïlieh Canals will also be made, but no final rate has yet been fixed.

The Railway Board estimate the result of the changes now proposed as follows, provided the general commercial conditions are similar to those prevailing in 1887:—

	Increased Revenue.
	£ E.
Cotton	16,000
Cotton-seed	6,000
Coal	10,000
Cereals	12,000
Miscellaneous goods	36,000
First and second class passengers	10,000
Total	90,000

It is satisfactory to observe that the decision of the Government to find the additional resources required for the Budget of 1889 in a modification of the railway rates has been well received by the commercial community in Egypt.

The only other head of revenue which calls for special mention is the estimate of receipts from military exemption, £ E. 100,000, which compares with £ E. 28,100 realized in 1887, and £ E. 165,000, revised estimate for 1888.

The increase over the 1887 figures is explained by the modifications of the Law made in the early part of last year, under which the rate of exemption was lowered from £ E. 40 to £ E. 20, thus placing freedom from military service within the reach of a larger class, and abolishing much of the bribery which previously induced the Recruiting Commissions to give exemptions on false pretences.

Two important reductions of taxation are also to be noted, important rather from the tendency they indicate than from the amount of revenue affected. The price of salt, which is a Government monopoly, has been reduced by 20 per cent. in the two poorest provinces of Upper Egypt, while the octroi tax, and three other taxes of a vexatious character have been abolished in fifteen towns of the interior.

The total revenue is estimated at £ E. 9,567,000, which compares with the actual revenue for the previous eight years as follows:—

	£ E.		£ E.
1880	8,998,399	1884	9,403,294
1881	9,929,965	1885	9,637,173
1882	8,852,857	1886	9,574,393
1883	8,934,675	1887	9,616,358

If it is considered that the Estimates for 1889 are £ E. 300,000 less than they would have been had the year been one of ordinary good Nile, it will be admitted that a satisfactory rate of increase has been maintained.

Expenditure.

Turning to expenditure, the following Table shows in a summarized form the main heads under which the Budget of 1889 exceeds or falls short of the Budget of 1888:—

	Increase.	Decrease.
	£ E.	£ E.
Civil List	..	80,000
Justice	27,000	..
War	143,000	..
Police and Prisons	..	26,000
Cadastre	..	18,000
Tanzim	..	20,000
Pensions	..	75,000
Deficits: Daïra and Domains	..	75,000
Postponement of all increases of salary	..	10,000
Reduction of salaries of all officials receiving more than £ E. 2,000 (except Ministers) to £ E. 2,000 ..	..	10,000
Interest on Public Debt	130,000	..
Total	300,000	314,000

A few words of explanation will suffice for each of the above heads.

The increase in the expenditure in the Ministry of Justice is explained by the establishment of the new system of Native Tribunals in Upper Egypt. It is generally recognized that the Native Tribunals established in 1883 in Lower Egypt, have not been an unqualified success. It appears, however, that, compared with the existing system of justice in Upper Egypt, the failure of the Native Courts are venial.

All native authorities are at one in demanding the extension of the new system to the southern provinces, and Riaz Pasha has, without question, acted wisely in acceding to this demand. The increase of expenditure is, to a certain extent, counterbalanced by an increase of revenue.

Army.—The military expenditure for the past four years has been as follows:—

	£ E.
1884	271,279
1885	253,488
1886	503,222
1887	340,856

The Estimate for 1889 amounts to £ E. 452,000, or an increase of £ E. 112,000 over 1887. The increase made to the army in 1889 consists of the following force :—

Egyptian infantry	1,000
Soudanese infantry	890
Cavalry	75

With 3 English officers and 34 Egyptian officers.

This increase will bring the total establishment of the army up to 11,719 men and 542 officers, of whom 63 are English and 479 Egyptian.

When Lord Northbrook was in Egypt in 1884, it was estimated that the normal military expenditure of Egypt should not exceed £ E. 130,000, with an additional sum as subventions to the tribes. Under these circumstances, the criticism that the Egyptian army has been unwisely reduced in order to meet financial exigencies, appears entirely devoid of foundation.

Civil List.—The reduction of £ E. 80,000 under this head is due to the arrangement with His Highness Ismaïl Pasha and his family.

Cadastre.—The cadastre was founded in 1875 by Sir Auckland Colvin. It has undergone three changes of system, and has had at different times four different Chiefs. Originally placed under the control of the Ministry of Finance, it was transferred two years ago to the Ministry of Public Works, in the hope that the control of a Ministry with technical knowledge would produce an improvement. So far as I am aware, little or no practical advantage has been obtained from the cadastre since its institution.

The question of land tenure in Egypt is of exceeding complexity. Property is divided into an infinite number of small holdings, a large number of which are not registered in the names of the present proprietors. The native method of defining the limits of property is cumbersome and lengthy, as the title-deed usually enumerates the ancestors of the proprietors for several generations, and gives other totally useless information. The following Table which gives the number of landed proprietors in Egypt in 1887, will give some idea of the difficulty of a complete revenue survey :—

	Number.	Owing.	Average Holding.
		Feddans.	Feddans.
Europeans	5,039	225,181	44·60
Native Notables	22,699	1,368,196	60·30
Peasant proprietors	502,810	2,652,023	5·27
	530,548	4,245,400	8·0

This Table does not include State lands.

The total population of Egypt amounts to 6,764,050, so that about one person in twelve is a landed proprietor, while 80 per cent. of the total number of landed proprietors own less than 10 acres.

My own opinion is, that the land survey to be of any practical value, must be preceded by a practical regularization of the present titles of land, and that, until this is done, all attempts to make a cadastre will fail.

Tanzim.—The Tanzim Administration is charged with the construction and maintenance of roads in the different towns of Egypt, and with other expenditure of a municipal character.

Recent inquiries have brought to light considerable irregularities in the manner in which the work of this Administration has been conducted, and have further convinced the Government that large economies can be made without detriment to the public service.

Daïra and Domains Deficit.

	£ E.
1884	451,385
1885	451,552
1886	414,175
1887	259,255 and 140,000 — 399,255
1888	275,000

The reduction of the deficit is to some extent due to the rise in the price of sugar and cotton, and to a diminution of the Domains Debt through the sale of Domains

land to the Khedivial family, pensioners, and private individuals. Apart from these causes, however, there has been a marked improvement in the administration of both estates.

A considerable reduction of the Domains Debt was effected in the course of last year as a consequence of the arrangement of the claims of Ismaïl Pasha and his family against the Egyptian Government. The result of this arrangement will be a permanent diminution of the Domains deficit.

Another operation connected with the Domains land which has been of great advantage to the country, is the commutation of pensions for land. The following Tables show that the voluntary commutations of pensions commenced in 1885 is being steadily proceeded with. Up to the 31st December, 1888, 1,371 pensioners drawing annually £ E. 106,815, have sent in applications. Of these, 999, representing a capital of £ E. 879,682, and receiving £ E. 87,614 per annum, have been accepted and their pensions commuted.

There are 372 claims outstanding, representing a capital value of £ E. 145,559. These are now in course of settlement.

In 1888 the following exchanges for land were effected :—

	Number of Pensioners.	Annual Pensions.	Capital Value.	Number of Feddans.
		£ E.	£ E.	
Domains	406	26,506	272,360	12,729
Free lands	176	4,724	59,300	5,322
	582	31,230	331,660	18,051

The account of the expenditure of the £ E. 331,660 works out as follows :—

	£ E.
Domains land purchased	257,406
Free lands purchased	53,348
Paid to pensioners in cash	17,644
Deposits in favour of pensioners	3,262
	331,660

556 new demands for the commutation of pensions of the capital value of £ E. 251,608 were made in 1888. The distribution of the applications over the different months is shown below.

Month.	Number.	Amount.	Month.	Number.	Amount.
		£ E.			£ E.
January	42	20,445	July	43	18,013
February	31	16,563	August	31	7,283
March	24	14.675	September	42	13,957
April	44	19,601	October	56	16,529
May	20	13,898	November	54	21,324
June	62	24,575	December	107	64,745

The Pensions Exchange Commission has, in the course of the year, examined 954 pensioners drawing £ E. 50,431 per annum.

In calculating the capital value of pensions, the average age was fixed at $51\frac{5}{8}$ years, and the commutation has been carried out at an average rate of ten years purchase. In this connection it must be remembered that the extravagant Pension Law of Saïd Pasha allowed pensions to revert to the heirs of pensioners, so that the pensions commuted represent, in many cases, more than an annuity for one life. The extinction of pensions by purchase at a mean rate of ten years' value is therefore a more profitable operation for the Egyptian Government than would appear at first sight to one accustomed to the European scales of commutation. There is, moreover, the highly important consideration, that in disposing of Domains land, and reducing the Domains Debt, the Egyptian Government improves both the financial and economic position of the country, while, on the other hand, the pensioners who commute, instead of leading an idle life, are given occupation as farmers. Notwithstanding these commutations, however, the pension charge is still out of all proportion

with the resources of the country. The following Table shows the cost of pensions to the Egyptian Government during the last five years, excluding those commuted:—

	£ E.
1884	450,328
1885	507,502
1886	595,299
1887	508,836
1888	530,000

The anomalous position of Egypt regarding pensions is shown by the following comparisons. The total salaries paid to servants of the Egyptian Government who contribute to the Pension Fund, amounts to £ E. 1,250,000, while the Pension List would now exceed £ E. 600,000, had not a large number of pensioners commuted their rights for land. In the case of military pensions, the abnormal character of the present charge is even more striking. The total annual pay of all officers and military officials serving for pensions is £ E. 75,000, whereas military pensions amount to nearly £ E. 200,000.

As regards numbers, there are in the Egyptian service 10,000 employés, whereas the number of pensioners is 18,000. Unsatisfactory as these figures are, I think we may fairly conclude that we have seen the worst, and that there will henceforth be a steady reduction of the pension charge. More reasonable pension Regulations are now in force.

The postponement of all increases of salary during 1889 was decided in November last, and is warranted by the financial exigencies of the year.

The reduction of all salaries, except those of Ministers, to £ E. 2,000, has been carried out in accordance with an arrangement made in 1885. While the rate of salary previously paid to some officials was admittedly in excess of the services rendered by them, or of the responsibilities which they assumed, it appears to me exceedingly doubtful whether the Egyptian Government acted wisely in surrendering their freedom of action.

General Conclusions.

The main interest in the Budget of 1889 lies in the fact that it is the first year in which Egypt has attempted to meet extraordinary difficulties without recourse to borrowing, and without touching upon her reserves.

The practice in former years was to recur to extraordinary resources in order to meet the ordinary charges of the year. In the Budget of 1889 the Egyptian Government have relied solely on the annual revenue to meet financial difficulties of an exceptional and extraordinary character.

A brief retrospect will show how considerably the financial position must have improved for an experiment of this kind to be made with every prospect of success.

When in 1885 the Convention of the 18th March was published, it was considered both by financial experts and by the ordinary public that Egypt would not be able to reimburse the temporary tax of 5 per cent. on the coupons of the Public Debt, and that this tax, or some equivalent impost, would have to be established in a permanent form.

Two years later, in 1887, the Eyptian Government reimbursed the tax imposed on the coupons of 1885–86, and declared further that they were prepared to resume full payment of interest on the entire debt. This declaration was generally regarded as presumptuous, and was criticized as placing too heavy a strain upon the finances of the country.

The result of the following years (1887-88) has again proved the Egyptian Government to have been right. Not only has full payment been made without disturbing financial equilibrium, but a considerable reserve fund, amounting to over 500,000*l.*, has been created. No floating debt has been incurred, and no extraordinary measures have been taken to increase the taxation of the country. The agricultural taxpayer is admittedly in a better position than at any recent period of Egyptian history. The corvée has been greatly diminished, and several small taxes of an obnoxious character have been removed.

For 1889 there was every reason to anticipate a considerable surplus, and I had nourished the hope that a reduction of taxation might be recommended without danger. This hope has been destroyed by the failure of the Nile, and by the necessity of increasing the army on account of the disturbed condition of the Soudan frontier. The stability of Egyptian finance is therefore subjected to a new ideal. The years 1887-88 have clearly proved that under normal circumstances Egypt is a perfectly

solvent country. The year 1889 will prove, if the Budget Estimates are realized, that exceptional difficulties can be surmounted without fear of a deficit, and I may state my conviction that it would require a succession of bad years to place the present financial position in any serious peril.

Disappointing as it may be for those connected with Egyptian finance to find that the period of tension and difficulty is to be prolonged for another year, we may, I think, take heart of grace and reflect that our exceptional misfortunes have revealed unexpected strength and elasticity. The confidence that will result from hard-fought success may thus in the end compensate the country for its present loss.

When the Minister of Finance commences, nine months hence, the study of the Budget for 1890, he will, I believe, on the basis of existing legislation, be in possession of Estimates showing a surplus of £ E. 300,000 to be applied either to the reduction of taxation, to the development of reproductive public works, or, to that which, in my opinion, is more important than either the increase of the reserve fund. Looking still farther forward, I believe that we may with confidence anticipate the gradual reduction of expenditure on administration, pensions, and military charges, while the extension of the cultivated area, which must result from improved irrigation, will undoubtedly lead to a gradual increase of revenue. Provided that order and tranquillity are maintained, and that the financial administration is conducted with intelligence and moderation, I see no reason to depart from the opinion I have held for the last five years as to the solvency of Egypt.

(Signed) EDGAR VINCENT.

No. 16.

Sir E. Baring to the Marquis of Salisbury.—(Received February 4.)

(No. 65. Confidential.)

Cairo, January 27, 1889.

My Lord,

YOUR Lordship is aware that discussions have recently been taking place here between Count d'Aubigny, Riaz Pasha, myself, and other officials on the subject of the reduction of the salaries of all officials in the service of the Egyptian Government, with the exception of the Ministers, to a limit of 2,000*l.* per annum. When the measure establishing this reduction was originally brought forward, it met with a good deal of opposition at the hands of Nubar Pasha, who was unwilling to have his hands tied in the matter of the amount of pay to be given to Egyptian officials. Latterly Riaz Pasha has taken the opposite view of the question and has shown himself very unwilling to have his hands freed in exceptional cases; chiefly because he fears lest pressure should be brought to bear on him to authorize all the salaries which are now about to undergo reduction to be raised again to their former height. The question has, however, as I have already had the honour to report to your Lordship, been in some degree mixed up in the negotiations which have recently been taking place respecting the Mixed Tribunals, and Riaz Pasha is now willing to agree to the arrangement which has been come to.

It is undesirable that the hands of the Egyptian Government should be too strictly tied as regards salaries. The successful conduct of affairs under the present system of administration in Egypt depends so greatly on the personality of the high European officials in the Egyptian service, that it would be most unfortunate if the Khedive's Government were to find themselves unable to avail themselves of the services of some gentlemen eminently qualified for any particular post, simply because they were strictly limited by international arrangement as to the amount of the salary which they were at liberty to offer.

It has, therefore, been arranged, as I have reported to your Lordship by telegraph, that Count d'Aubigny should write me a letter stating that no objection would be raised by the French Agency and Consulate-General to certain exceptions being made to the general rule, and I have now the honour to inclose a copy of the letter to this effect, which Count d'Aubigny has sent me this morning.

The only case in which advantage will be immediately taken of this arrangement is that of Sir Francis Grenfell, the Sirdar of the Egyptian army. The pay attaching to this post has up to the present amounted to 2,500*l.* a-year; General Grenfell, therefore, would lose 500*l.* a-year by the reduction. His office is one that entails very considerable expenses, and it is generally felt, a feeling which is shared by Riaz Pasha and the Egyptian Government, that a considerable hardship would be inflicted on

Sir Francis Grenfell by carrying out the reduction. Even now, however, it is not proposed to raise his salary again to 2,500*l.*, but an arrangement will be made in virtue of which the salary will remain at 2,000*l.* while 500*l.* a-year will be added as "frais de représentation."

I do not propose to raise the question of the salary of the Financial Adviser for the present; Sir E. Vincent's salary together with those of the other high European officials will undergo the reduction to 2,000*l.*, but it is, I think, probable that later on, possibly at the end of the year, the question of raising his salary may be brought forward.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 16.

Count d'Aubigny to Sir E. Baring.

Le Caire, le 27 *Janvier*, 1889.

Mon cher Sir Evelyn,

VOUS avez bien voulu me faire savoir qu'il serait question d'élever le traitement du Sirdar et éventuellement celui du Conseiller Financier au delà de 2,000*l.* Comme il avait été antérieurement établi qu'aucun fonctionnaire Égyptien, à l'exception des Ministres, n'aurait de traitement supérieur à la somme de 2,000*l.*, vous m'avez demandé si le Représentant de la France en Égypte s'opposera à ce que, dans des cas exceptionnels, il soit dérogé à la règle précitée.

En réponse à votre question, je m'empresse de vous faire savoir, mon cher collègue, que l'Agence de France en Égypte s'engage à ne pas élever de difficulté en cas où, *à titre exceptionnel*, le traitement de certains fonctionnaires, comme le Sirdar ou le Conseiller Financier, serait porté à une somme dépassant 2,000*l.*

(Signé) L. D'AUBIGNY.

No. 17.

The Marquis of Salisbury to Sir E. Baring.

(No. 56. Confidential.)

Foreign Office, February 6, 1889.

Sir,

I HAVE received your despatch No. 65, marked Confidential, of the 27th ultimo, inclosing copy of a letter which has been addressed to you by the French Agent and Consul-General, to the effect that the French Agency will not object to the salaries of certain Egyptian officials, such as the Sirdar or the Financial Adviser, being raised, as an exceptional measure, to an amount higher than 2,000*l.* a-year.

The terms of this letter are more restricted than I had expected from your telegram No. 23 of the 20th ultimo, which stated that the French Consul-General would write you a letter, liberating the English and Egyptian Governments from the engagement which had been taken not to increase any salaries above 2,000*l.* a-year.

This, however, may not necessarily be a disadvantage, and the arrangement corresponds very nearly with the views laid down in a letter from the Treasury of the 21st February, 1887, of which copy was forwarded to you in my despatch No. 79 of the 24th of that month, to the effect that the proposed general limitation of salaries was in itself correct, "but that a power should be reserved to meet very exceptional cases, so that the true interest of the country might not suffer by the offer of a pledge of so binding a nature as to leave no discretion in case of emergency."

I concur, therefore, in the course adopted by you, and in that which it is proposed to take at once in regard to the salary of the Sirdar, and on a future occasion with regard to that of the Financial Adviser.

I am, &c.
(Signed) SALISBURY.

No. 18.

Sir E. Baring to the Marquis of Saltsbury.—(Received February 11.)

(No. 69.)

Cairo, January 28, 1889.

My Lord,

WITH reference to your Lordship's despatch No. 27 of the 18th instant, I have the honour to inform your Lordship that I submitted Sir R. Welby's letter of the 17th January to Mr. Palmer, the Director-General of Accounts, for verification of the figures contained therein.

Mr. Palmer now informs me that the account between Her Majesty's Government and the Egyptian Government, as stated in that letter, is perfectly correct, and that the quarter's instalment in respect of the Capitation grant for 1888-89, viz., 27,500*l.*, will be pàid by the Egyptian Government by the 31st March next.

I have, &c.
(Signed) E. BARING.

No. 19.

Sir E. Baring to the Marquis of Salisbury.—(Received February 11.)

(No. 72.)

Cairo, January 29, 1889.

My Lord,

I HAVE the honour to transmit to your Lordship herewith copy of a Decree which appeared in the "Journal Officiel" of yesterday, showing the sums expended in 1887 and 1888 for irrigation purposes out of the £ E. 1,000,000 granted in 1885 for public works.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 19.

Extract from the "Journal Officiel" of January 28, 1889.

Décret.

NOUS, Khédive d'Égypte,

Vu l'Article 9 de notre Décret du 27 Juillet, 1885, qui affecte £ E. 1,000,000 aux travaux d'irrigation;

Sur la proposition de notre Ministre des Travaux Publics et l'avis conforme de notre Conseil des Ministres;

Décrétons:

Article 1er. Les dépenses effectuées en 1887 et en 1888 sur le £ E. 1,000,000 affectées aux travaux d'irrigation sont définitivement arrêtées, selon le Tableau ci-annexé, à £ E. 366,345 et £ E. 366,336 respectivement.

Art. 2. Nos Ministres des Finances et des Travaux Publics sont chargés, chacun en ce qui le concerne, de l'exécution du présent Décret.

Fait au Palais de Hélouan, le 24 Janvier, 1889 (22 Gamad-Ewel, 1306).

(Signé) MÉHÉMET TEWFIK.

Par le Khédive:
Le Président du Conseil des Ministres,
Ministre des Finances,
(Signé) RIAZ.
Le Ministre des Travaux Publics,
(Signé) MOHAMED ZÉKI.

ÉTAT des Dépenses effectuées sur le £ E. 1,000,000 affecté aux Travaux d'Irrigation.

Du 1er Janvier au 31 Décembre, 1887.	£ E.	Du 1er Janvier au 31 Décembre, 1888.	£ E.
Article I.		*Article I.*	
Personnel	13,267	Personnel	13,693
Article II.		*Article II.*	
Frais de déplacement	2,370	Frais de déplacement	1,512
Menus frais	1,113	Menus frais	950
Article III.		*Article III.*	
No. 1. Réservoir de Damiette	6,214	No. 1. Réservoir de Damiette	..
„ 2. Écluse de Mansourah	7,189	„ 2. Barrage de Damiette	108,441
„ 3. Pont-écluse de Mit-el-Gamr ..	7,209	„ 3. Écluse de Mansourah	4,361
„ 4. „ de Kalangil	7,180	„ 4. Pont-écluse de Mit-el-Gamr ..	8,633
„ 5. Rayah Charkieh	167,061	„ 5. „ de Kalangil	10,295
„ 6. Pont tournant de Mansourah ..	1,491	„ 6. Rayah Tewfikieh	137,618
„ 7. Barrage de Rosette	82,648	„ 7. Pont tournant Mansourieh ..	446
„ 8. Écluse du Rayah Menoufieh ..	11,332	„ 8. Barrage de Rosette	31,607
„ 9. „ de Santah ..	4,415	„ 9. Écluse du Rayah Menoufieh ..	3,890
„ 10. „ du Rayah Bagourieh ..	7,442	„ 10. „ de Santah	1,745
„ 11. „ de Shoubrabas	4,667	„ 11. „ du Rayah Bagourieh ..	5,521
„ 12. „ de Godaba	6,339	„ 12. „ de Shoubrabas	7,343
„ 13. Pont tournant de Dalgamoun ..	1,100	„ 13. „ de Kodaba	1,801
„ 14. „ de Santah	597	„ 14. Pont tournant de Dalgamoun ..	1,800
„ 15. Canal de Rosette	5,431	„ 15. „ de Santah ..	2,515
„ 16. „ de Sahel Markaz	16	„ 16. Canal de Rosette	..
„ 17. Écluse de Kafr-el-Dawar ..	2,684	„ 17. Sahel Markaz	..
„ 18. Siphon du kilomètre 7 Mahmoudieh	..	„ 18. „ Gharrag Fayoum	..
„ 19. Écluse de Damanhour	..	„ 19. Siphon du kilomètre 7 Mahmoudieh	3,654
„ 20. Siphon de Feshn	13,386	„ 20. Écluse de Kafr-el-Dawar ..	9,730
„ 21. Travaux divers	6,688	„ 21. „ de Damanhour	..
		„ 22. Siphon de Feshn	4,679
		„ 23. Travaux divers	112
Article IV.		*Article IV.*	
Outillages divers	6,506	Outillages divers	5,990
Total	366,345	Total	366,336

No. 20.

War Office to Foreign Office.—(Received February 11.)

Financial Secretary's Department, War Office, February 9, 1889.

Sir,

ADVERTING to previous correspondence, I am directed by the Secretary of State for War to transmit herewith a detailed Statement, showing the extra cost which it is estimated will be thrown on army funds by the maintenance of the Army of Occupation in Egypt during the next financial year 1889-90.

The items in the Statement have been carefully calculated on such existing data as are available, and show an estimated expenditure of upwards of 105,500*l.*, irrespective of all charges for depôts in this country, pensions, &c.—the statement confining itself strictly to such direct additional military expenditure as is caused by the occupation, and would not be incurred if the troops were withdrawn from Egypt.

Mr. Stanhope proposes to include the above sum of 105,500*l.* in the Army Estimate for 1889-90 as the contribution recoverable from the Egyptian Government; and I am to request that the Secretary of State for Foreign Affairs may be moved to take the necessary steps to effect the recovery during the year in question.

I have, &c.

(Signed) W. ST. JOHN BRODRICK.

Inclosure in No. 20.

ESTIMATE of the probable Extra Cost of maintaining the British Forces in Egypt during the Year ending 31st March, 1890.

Vote.	Sub-Head.	Excess.	Total.	Explanation.
		£	£	
Vote 1	General Staff	8,400		This represents the total cost of the special Staff maintained in Egypt, minus the half-pay of a Major-General and a Colonel.
	Regimental Pay and Allowances	7,200		For pay, &c., of 274 additional officers and men required to complete the establishment of three battalions of infantry and a squadron of cavalry stationed abroad instead of at home, additional pay of 117 mounted infantry, miscellaneous extra duty pay, and contingencies.
	Ditto	1,050		Pay, &c., of 34 men of the Medical Staff Corps, maintained especially for Egyptian service.
	Ditto	1,140		Pay, &c., of military mounted and foot police, maintained especially for Egyptian service.
	Ditto	8,150		Wages of civilian subordinates and transport establishment of the Army Service Corps, pay of supernumerary warrant officers, and additional servant allowance of officers.
	Ditto	5,840		Wages of civilian subordinates, Ordnance Store Department, for military working parties, and extra servant allowance.
	Army Pay Department ..	850		Pay of clerks in District Pay Office, extra servant allowance, and contingencies.
			32,630	
Vote 2	Divine Service	..	1,400	Pay of Acting Chaplains, &c., employed at home, vice Chaplains stationed in Egypt; extra servant allowance; hire of buildings.
Vote 3	Prison Establishment ..	..	1,200	Cost of Cairo Prison as estimated for 1889–90, and extra pay of military police and Provost Staff.
Vote 4	A. B. Pay, &c., Medical Staff	5,030		Pay and servants' allowance of 18 medical officers serving in Egypt.
	D. 2	500		Salaries of the nursing staff.
	D. 1	370		Half of the departmental pay of the Medical Staff Corps.
	E.	100		Extra cost of medicines.
			6,000	
Vote 9	Land Transport	3,856		Railway expenses beyond the expense of the force if in England.
	Sea Transport	11,000		The amount taken for sea transport is explained by a rise in the rate of freightage.
			14,856	
Vote 10	Provisions	13,225		Due to— (1.) Issue of rations to officers, women, and children not issuable at home. (2.) Home establishment of same force would be 340 less. (3.) Instead of the home ration of 1 lb. bread and ¾ lb. meat, the ration in Egypt is 1 lb. bread and 1 lb. meat, with a grocery ration. The cost of the ¼ lb. meat is 1·102*d.* and of the grocery ration 1·103*d.* = 2·205*d.*, or 3*l.* 7*s.* per man per annum beyond cost in England.
	Forage	6,141		The number of animals foraged in Egypt is 584. If the force was at home 110 horses only would have to be kept. The cost of the forage ration is rather lower in Egypt than at home, which is a partial set-off.
	Colonial Allowance ..	4,809		No expenditure for this service arises at home.
	Lodging Allowance ..	3,498		The rate of allowance is 50 per cent. over home rates, and with the force at home many issues would altogether cease.
	Field Allowance ..	485		The rates of this allowance are the same at all stations (see paragraph 817, Allowance Regulations), but the force would not be in camp at home.

Vote.	Sub-Head.	Excess.	Total.	Explanation.
		£	£	
	Rents..	2,580		This is entirely additional expenditure.
	Water	2,805		Allowing for the general cost at home for this service, the excess stands at 2,805*l.*
	Barrack Services ..	889		The ordinary expenditure at home would hardly be perceptibly increased by the force being brought home, but an abatement of 33 per cent. has been made from the estimate. A large quantity of disinfectants is used in Egypt.
			34,432	
Vote 11	Clothing Services ..	..	2,200	This represents approximately the *extra* cost of clothing 3,400 non-commissioned officers and men of all arms of the service.
Vote 12	Warlike Stores	..	2,000	This is quite approximate.
Vote 13	Works, Buildings, &c. ..	1,006		Salaries of Royal Engineer Department, and working expenses of signal and telegraph stations.
	Ditto	8,772		Additions to, and maintenance of, existing barracks.
	Ditto	1,048		Additions to, and maintenance of, fortifications and Ordnance store buildings.
			10,826	
	Total	..	105,544	

No. 21.

The Marquis of Salisbury to Sir E. Baring.

(No. 73.)

Foreign Office, February 15, 1889.

Sir,

WITH reference to my despatch No. 252 of the 28th December, I transmit to you herewith a copy of a letter from the War Office,* forwarding a detailed Statement of the extra cost which it is estimated will be thrown on army funds by the maintenance of the Army of Occupation in Egypt during the financial year 1889-90.

I also inclose, for your information, a copy of a letter which I have caused to be addressed to that Department asking for explanations in regard to some of the items of the statement in question.†

I shall wish to be furnished hereafter with your observations on the estimate, but it will perhaps be more convenient to await the reply of the War Office to my inquiries, which will be forwarded to you upon its receipt.

I am, &c.

(Signed) SALISBURY.

No. 22.

Foreign Office to War Office.

Foreign Office, February 15, 1889.

Sir,

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of the 9th instant, forwarding an estimate of the extra cost that will be thrown on army funds by the maintenance of the British Army of Occupation in Egypt during the next financial year 1889-90.

I am to state that the estimate will be forwarded to Her Majesty's Agent and Consul-General in Egypt.

Lord Salisbury directs me, however, to request that you will submit to Mr. Secretary Stanhope some observations which have occurred to him on a perusal of this Statement.

His Lordship notices that for a force of 3,500 men the large provision is made of eighteen doctors and thirty-four men of the Medical Staff Corps, besides which a charge of 500*l.* is made for nursing. The total charge for extra medical expenses above what would be required in England is estimated at 7,050*l.*, or over 2*l.* per man.

Divine Service for the above number of men, who would not in England constitute

* No. 20.

† No. 22.

a large parish, is estimated to cause an increased expense of 1,400*l.*, which, even allowing for the fact of their distribution at different stations, seems very large.

Lord Salisbury would be glad to learn whether it is on medical authority, and as a consequence of the climate of Egypt, that the meat rations of men living in barracks there have been increased by ¼ lb. per diem, at an expense of 6,500*l.*, in addition to increased grocery rations to the same amount.

The charge of 4,809*l.* for colonial allowance seems to require some further explanation, as Egypt is not a British Colony.

There is a charge of 485*l.* for field allowances, ostensibly on the ground that the force is in camp.

At the same time there is also a charge of 3,498*l.* for lodging allowances, of 889*l.* for barrack services, and of 8,772*l.* for additions to and maintenance of existing barracks. Lord Salisbury would be glad to know whether this last charge is the actual estimated expense, or whether any reduction is made for the estimated cost if the men were in barracks at home, and also what is the reason for making additions to the barracks when the force has been reduced.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

No. 23.

Sir E. Baring to the Marquis of Salisbury.—(Received February 16, 3·30 P.M.)

(No. 54.)
(Telegraphic.)

Cairo, February 16, 1889, 3·15 P.M.

MY despatch No. 89 of the 2nd.

Sir E. Vincent is anxious to get the matter settled as soon as possible, as the moment appears favourable for renewing the conversion negotiations, but it is impossible to undertake these with much hope of success until the question of the quotation of Egyptian loans on the London market is satisfactorily settled.

No. 24.

Sir E. Baring to the Marquis of Salisbury.—(Received by telegraph, February 16.)

(No. 113. Confidential. Ext. 54.)

Cairo, February 16, 1889.

My Lord,

WITH reference to my despatch No. 89 of the 2nd instant, I have this day had the honour to telegraph to your Lordship that Sir Edgar Vincent is anxious to get the differences between the Caisse and the Committee of the Stock Exchange settled as soon as possible, as the moment appears favourable for renewing the conversion negotiations. It is, however, impossible to undertake these with much hope of success until the question of the quotation of Egyptian loans on the London market is satisfactorily arranged.

I have, &c.

(Signed) E. BARING.

No. 25.

Sir E. Baring to the Marquis of Salisbury.—(Received February 24, 11 A.M.)

(No. 59.)
(Telegraphic.)

Cairo, February 24, 1889, 9·20 A.M.

THE Egyptian Government are desirous of sending Baron Richthofen to Europe to recommence the negotiations for the conversion of the Preference stock.

Sir E. Vincent and I agree. The moment appears very favourable.

Does your Lordship see any objection?

Sir E. Vincent wrote fully to Mr. Goschen on the subject by the mail of 17th.

It is very desirable to get the question discussed in my despatch No. 89 of the 2nd instant settled.

No. 26.

Sir E. Baring to the Marquis of Salisbury.—(Received by telegraph, February 24.)

(No. 121. Ext. 59.)

Cairo, February 24, 1889.

My Lord,

THE Government of the Khedive are desirous of sending Baron Richthofen, the German Commissioner of the Caisse, to Europe to recommence the negotiations for the conversion of the Egyptian Preference stock. The moment appears to be favourable to such a step, and Sir Edgar Vincent and I are agreed as to its advisability. Sir Edgar Vincent has written fully to Mr. Goschen on the subject by the mail which left on the 17th instant. I have asked your Lordship, by telegraph, whether there is any objection to Baron Richthofen's proposed mission. I have also ventured to urge that in view of these forthcoming negotiations, it is very desirable that a satisfactory settlement should be come to regarding the quotation on the Stock Exchange of the last Egyptian Loan, as was represented to your Lordship in my despatch No. 89 of the 2nd instant.

I have, &c.
(Signed) E. BARING.

No. 27.

Sir E. Baring to the Marquis of Salisbury.—(Received February 25.)

(No. 106.)

Cairo, February 14, 1889.

My Lord,

I HAVE the honour to inclose herewith copy, taken from yesterday's "Journal Officiel," of a Report dated the 1st instant, addressed by Riaz Pasha to the Khedive, showing the progress made in the exchange of pensions for State lands. From this Report it appears that 1,011 persons have exchanged pensions of an annual value of £ E. 85,944 for about 50,000 acres of land. The Report concludes by pointing out that the credit of £ E. 450,000 allowed by the Decree of the 30th April, 1888, is now exhausted, and asks for the authorization of His Highness to open a further credit of £ E. 400,000 with the concurrence of the Commissioners of the Caisse, in order that the operation may be carried on without any check.

I have also the honour to inclose copy of a Khedivial Decree, dated the 12th instant, authorizing this measure.

I have, &c.
(Signed) E. BARING.

Inclosure 1 in No. 27.

Extract from the "Journal Officiel" of February 13, 1889.

Rapport adressé à Son Altesse le Khédive.

Monseigneur,

L'ÉCHANGE des pensions contre des terres a été autorisé par Décrets en date des 9 Mai, 1886, et 3 Mai, 1888; à cette opération ont été affectés les crédits suivants:—

£ E.	
550,000	prélevées sur les fonds de l'Emprunt Garanti, conformément au Décret du 27 Juillet, 1885.
450,000	prélevées sur les fonds de l'Emprunt 4½ pour Cent, conformément au Décret du 30 Avril, 1888.
100,000	

Le Tableau ci-après résume les opérations de l'échange des pensions, jusqu'au 25 Janvier, 1889:—

Terres échangées.	Nombre de Pensionnaires.	Pensions annuelles.	Montant du Rachat.	Superficie échangée.
		£ E.	£ E.	Feddans.
Terres Domaniales	730	69,372	706,250	36,706
Terres libres	281	16,572	158,225	12,710+164,927 pics.
	1,011	85,944	864,475	49,416+164,927 pics.

	£ E.
Le montant du rachat s'est élevé à	864,475
Et il convient d'y ajouter—	
1. Cinquante-huit demandes dont l'instruction est complète et pour lesquelles le montant du rachat est d'environ	40,000
2. Le montant des frais divers, honoraires de médecins, &c., environ ..	3,000
Capital employé	907,475

D'autre part, il reste à liquider 397 demandes dont la valeur capitalisée a déjà été fixée à £ E. 156,123, par la Commission de Rachat des Pensions, instituée par Décret du 3 Mai, 1888, indépendamment des nouvelles demandes d'échange qui s'élèvent mensuellement à une moyenne de £ E. 35,000 environ. En outre, par la récente admission des veuves à la commutation de leurs pensions, les opérations sont appelées à une extension considérable.

Son Altesse le Prince Mahmoud et son Altesse la Princesse sa mère ont également demandé l'échange de leur allocation, opération qui, à elle seule, nécessiterait une somme de £ E. 126,000.

Les ressources mises à la disposition du service de l'échange des pensions doivent donc être considérées comme épuisées.

Or, l'exposé suivant des opérations de l'échange, au point de vue de leurs résultats pour le Trésor, en fait ressortir tout l'intérêt financier.

	£ E.	£ E.
Échange contre Terres Domaniales.		
Pensions éteintes, réglées	69,372	
Pensions à liquider, en instruction	4,000	
		73,372
Économie sur la contribution du Gouvernement pour l'insuffisance des revenus des Domaines de l'État (environ 2 pour cent sur £ E. 750,000)		15,000
		88,372
Echange contre Terres Libres.		
Pensions éteintes, réglées	16,572	
Imposition des terres échangées..	10,273	
	26,845	
A déduire:		
Locations antérieurement perçues sur terres échangées, 12,710 feddans et 164,927 pics environ	13,888	
		12,957
		101,329
A déduire:		
Service des intérêts et de l'amortissement sur le capital employé (£ E. 550,000 Emprunt Garanti et £ E. 357,475 Emprunt 4½ pour Cent.		42,485
Différence		58,844

Les avantages de l'échange sont donc évidents au point de vue du Trésor, et l'empressement des pensionnaires à solliciter la commutation de leurs pensions est une preuve satisfaisante que ces opérations sont profitables aux intéressés.

Il y a donc lieu d'attacher une grande importance à la continuation sans arrêt de l'échange, et c'est dans le but d'en poursuivre les opérations que j'ai l'honneur de solliciter l'autorisation de votre Altesse, de pouvoir me procurer, avec le consentement de la Commission de la Dette Publique, jusqu'à concurrence de £ E. 400,000, des avances destinées aux opérations dont il s'agit.

Le remboursement de ces avances serait effectué ultérieurement, au moyen d'une émission de titres à faire, d'accord avec la Caisse de la Dette, en temps opportun, sur la base du Firman Impérial visé par le Décret de votre Altesse en date du 30 Avril, 1888.

Si votre Altesse daigne approuver cette proposition, elle voudra bien revêtir de sa haute sanction le projet de Décret que j'ai l'honneur de lui soumettre.

Je suis, &c.
(Signé) RIAZ.

Le Caire, le 1er Février, 1889.

Inclosure 2 in No. 27.

Extract from the "Journal Officiel" of February 13, 1889.

Décret.

NOUS, Khédive d'Égypte,

Considérant que le crédit de £ E. 450,000 affecté au rachat des pensions par l'Article 9 de notre Décret du 30 Avril, 1888, est épuisé;

Sur la proposition de notre Conseil des Ministres,

Décrétons:

Article 1er. Notre Ministre des Finances est autorisé à se procurer, d'accord avec la Commission de la Caisse de la Dette Publique, des avances jusqu'à concurrence de £ E. 400,000, destinées à la continuation de l'échange des pensions contre des terres, conformément à notre Décret du 3 Mai, 1888, ainsi qu'à l'extinction, dans les conditions édictées par nos précédents Décrets des 30 Avril et 15 Octobre, 1888, de l'allocation de leurs Altesses le Prince Mahmoud et la Princesse sa mère.

Ces avances seront régularisées au moyen de mesures financières ultérieures.

Art. 2. L'échange des pensions continuera à être effectué par les soins d'une Commission Spéciale, dans les conditions établies par notre Décret du 3 Mai, 1888.

Cette Commission sera composée comme suit:—

Son Excellence Moustapha Pacha Fehmy, Président;
Sir Edgar Vincent;
M. G. B. Machiavelli;
M. E. Bouteron.

Art. 3. Notre Ministre des Finances est chargé de l'exécution du présent Décret.

Fait au Palais d'Abdin, le 12 Février, 1889, (12 Gamad-Akher, 1306).

(Signé) MÉHÉMET TEWFIK.

Par le Khédive:
Le Président du Conseil des Ministres,
Ministre des Finances,
(Signé) RIAZ.

No. 28.

Sir E. Baring to the Marquis of Salisbury.—(Received February 25.)

(No. 107.) *Cairo, February* 14, 1889.

My Lord,

WITH reference to your Lordship's despatch No. 26 of the 16th ultimo, on the subject of the sums advanced for the relief of Lupton, I have already had the honour to inform your Lordship, by my No. 102 of the 11th instant, that the Egyptian Government consent to refund the sum of 410*l.* demanded by the Lords of Her Majesty's Treasury.

Your Lordship also asked me in your despatch whether, in my opinion, any further precautions could be taken against fresh expenditure on behalf of the Egyptian Government without their sanction; and in their letter to the Foreign Office, the Lords of the Treasury suggest that fresh and clear instructions should be sent to the English military authorities in Egypt on this subject.

It is true that two or three years ago there were several instances of expenditure

having been undertaken by the military and other authorities responsible for the safety of Egypt, without previous consultation with the Egyptian Government. I do not now imagine that there is any danger of a repetition of such action; but it would certainly do no harm, and might, perhaps, be a wise precaution, to cause fresh instructions to be sent to the military authorities, cautioning them against allowing any expenditure on behalf of the Egyptian Government without having previously obtained the latter's sanction.

I have, &c.
(Signed) E. BARING.

No. 29.

Sir E. Baring to the Marquis of Salisbury.—(Received February 25.)

(No. 108.) *Cairo, February* 14, 1889.

My Lord,

I HAVE the honour to inclose herewith copy of a Report published in yesterday's "Journal Officiel" by Mr. Palmer, the Director-General of Accounts, contrasting the budgetary Estimates for the last three years with the actual amounts of receipt and expenditure afterwards realized. From this Report it appears that during the three years the receipts have exceeded the Estimates by £ E. 8,000, while the expenditure has been £ E. 25,000 less than the credit allowed by the Budgets.

It is evident from this Report that the Estimates have been framed with much foresight and accuracy.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 29.

Extract from the "Journal Officiel" of February 13, 1889.

MINISTÈRE DES FINANCES.

Rapport adressé à son Excellence le Ministre des Finances par M. le Directeur-Général de la Comptabilité de l'État.

M. le Ministre,

DANS mon Rapport au Ministre des Finances en Avril 1888, je signalais à votre prédécesseur que pendant l'année 1887, dans les Administrations où le contrôle de la Direction Générale de la Comptabilité de l'État s'était exercé il n'y avait eu lieu de relever aucun excédent de dépenses sur les crédits alloués, et je faisais ressortir, en même temps, les progrès très sensibles qui avaient été obtenus au point de vue du contrôle des dépenses; comme suite à ce Rapport, j'ai l'honneur de porter à la connaissance de votre Excellence que pendant l'Exercice 1888 aucune des diverses Administrations de l'État n'a dépassé ses crédits, et que plusieurs d'entre elles, même, ont pu réaliser des économies considérables. (Voir Tableau ci-annexé.)

		£ E.
Le budget des dépenses pour l'année 1888 avait été arrêté à		9,576,000
En y ajoutant le montant des économies qui devaient être réalisées sur les budgets de la guerre et de Souakin, mais qui n'ont pu être effectuées par suite de la situation au Soudan		75,000
Le total arrivait à		9,651,000
	£ E.	
Au cours de l'exercice, des crédits supplémentaires ayant été accordés pour	144,607	
Et des réductions de crédits ayant eu lieu pour	38,312	
		106,295
Le montant général des crédits s'est chiffré par		9,757,295
Or, les dépenses de l'exercice, après défalcation des dépenses prélevées sur le produit du rachat des prestations, ne s'étant élevées qu'à		9,528,280
Il en résulte, sur la totalité des crédits, une économie de		229,015

Cette comparaison des prévisions et des réalisations n'est pas moins intéressante en ce qui concerne les recettes aussi bien que les dépenses des trois dernières années; les chiffres ci-dessous, qui se rapportent à cette période, permettent d'apprécier la sincérité des estimations budgétaires.

	Recettes.		Dépenses.	
	Prévisions.	Réalisations.	Prévisions.	Réalisations.
	£ E.	£ E.	£ E.	£ E.
1886	9,491,000	9,574,000	9,482,000*	9,585,000
1887	9,675,000	9,616,000	9,628,000	9,548,000†
1888	9,600,000	9,584,000	1,576,000	9,528,000
Total ..	28,766,000	28,774,000	28,686,000	28,661,000

Ainsi, sur l'ensemble des trois dernières années, du côté des revenus, les recettes réalisées ont été supérieures de £ E. 8,000 aux prévisions, tandis que de l'autre côté, les dépenses effectuées ont été inférieures de £ E. 25,000 aux crédits budgétaires alloués.

Les réalisations ne se sont donc pas écartées des prévisions, il suffit de constater que la légère différence qui apparaît dans les recettes, comme dans les dépenses, est toute à l'avantage du Trésor.

Ce résultat tend à démontrer que les Budgets Égyptiens sont élaborés dans un esprit de véritable modération, et qu'ils s'appuient sur une étude approfondie des ressources et des charges du Gouvernement; on peut en conclure qu'ils représentent avec une très grande exactitude les recettes et les dépenses probables de l'année.

Veuillez, &c.

Le Directeur-Général de la Comptabilité de l'État,
(Signé) ELWIN PALMER.

Le Caire, le 12 *Février*, 1889.

No. 30.

Sir E. Baring to the Marquis of Salisbury.—(Received February 25.)

(No. 112.)

Cairo, February 16, 1889.

My Lord,

I HAVE the honour to transmit herewith copy of a Report, addressed to His Highness the Khedive by the Commissioners of the Caisse de la Dette Publique, respecting the position of the Guaranteed Three per Cent. Loan.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 30.

Extract from the "Journal Officiel" of February 16, 1889.

CAISSE DE LA DETTE PUBLIQUE.

EMPRUNT GARANTI 3 POUR CENT.

Rapport adressé à Son Altesse le Khédive.

Monseigneur,

CONFORMÉMENT aux prescriptions du décret promulgué par votre Altesse le 27 Juillet, 1885, nous avons l'honneur de lui présenter la situation à ce jour des ressources affectées au service de l'Emprunt Garanti 3 pour Cent.

* Les £ E. 250,000 de la corvée ont été ajoutées aux chiffres du Budget publié, tant du côté des recettes que du côté des dépenses, puisque cette somme est comprise dans les réalisations.

† L'économie de £ E. 340,000 (£ E. 200,000 Traitements, £ E. 140,000 Daïra et Domaines) résultant de changement d'écritures quant à l'imputation des traitements, pensions, &c., de Décembre, et d'une partie du déficit des Domaines et de la Daïra a été ajoutée aux dépenses pour pouvoir établir la comparaison avec les pensions.

Les versements opérés depuis le 15 Octobre dernier sur les revenus des Chemins de Fer, Télégraphes, et Port d'Alexandrie, et depuis le 26 Octobre sur les revenus des Douanes, Tabacs, et provinces affectées, forment un total de 1,795,170*l.*

C'est sur cette somme que nous avons à prélever celle de 157,500*l.*, moitié de de l'annuité, spécifiée par l'Article 4 du Décret susvisé, le surplus restant disponible, avec les recouvrements qui seront effectués jusqu'aux 14 et 25 Avril, pour les échéances des Dettes Privilégiée et Unifiée des 15 Avril et 1er Mai.

La somme de 157,500*l.* prélevée pour l'Emprunt Garanti est à employer comme suit:—

1. 137,281*l.* 10*s.* pour le coupon du 1er Mars prochain (1½ pour cent sur 9,152,100*l.* capital de l'emprunt, après les amortissements des semestres précédents).
2. 20,218*l.* 10*s.* à consacrer à un nouvel amortissement.

Nous avons, &c.
(Signé) Baron RICHTHOFEN.
G. LE CHEVALIER.
G. B. MACHIAVELLI.
A. MONEY.
Comte ZALUSKI.

Le Caire, le 14 *Février*, 1889.

No. 31.

The Marquis of Salisbury to Sir E. Baring.

(No. 38.)
(Telegraphic.)

Foreign Office, February 26, 1889, 3·45 P.M.

YOUR despatch No. 89 of the 2nd instant.

Stock Exchange Committee appear to have been favourably impressed by communication made to them. But they ask for some further explanations.

They would like to know whether recent deliberation of the Caisse may be considered as replacing the second clause of Article 1 of the Decree of 22nd June, 1886, or rather as being the authoritative declaration of the manner in which that clause will be applied.

They think the periods of one month and two months during which payment of stopped coupons is to be suspended far too long for ordinary cases. Those periods are each mentioned as a maximum. Can any assurance be given that shorter periods will be fixed where the circumstances admit of it?

It is very important that they should know whether, in case of an action brought in the Egyptian Courts by the loser of a bond against an innocent holder, it would be sufficient defence to prove that the bond had been purchased in the open market at the market price.

No. 32.

War Office to Foreign Office.—(Received February 27.)

Financial Secretary's Department, War Office, February 26, 1889.

Sir,

I AM directed by the Secretary of State for War to acknowledge the receipt of your letter of the 15th instant, offering some observations as to the apparently large charge made against Egypt in respect of certain services as detailed in the Statement which accompanied the letter of the 9th instant from this Office. In reply, I am to request you will submit the following remarks for Lord Salisbury's consideration in justification of the figures contained in the War Office Statement above referred to.

Medical Services.

Certain reductions have already been made in the Medical Staff, but having regard to climatic and other matters, the establishment proposed for 1889-90, which had already been reported on by the Director-General of the Army Medical Department, is not deemed by him to be at all in excess of requirements.

Divine Service.

Although the provision for this service may seem somewhat high, it must be borne in mind that the troops are distributed between two stations, and that four denominations of Christians have to be provided for.

The Meat Ration.

The issue of the extra ¼ lb. of meat is not peculiar to Egypt. It is given at all foreign stations as a set-off to the inferior quality of the meat, which does not go nearly so far as English meat. The inadvisability of any reduction in the ration to the troops in Egypt was brought under the personal attention of the Prime Minister by the Commander-in-chief.

Colonial Allowance.

"Colonial" is only an official technical name to designate allowances given at certain stations on account of high prices, or special expenses, connected with the station. It is not issued in all Colonies, but at ten out of the eighteen foreign stations. Up to 1887 officers in Egypt drew 3*s.* a-day, now it is reduced to 1*s.* 6*d.* As they are stationed in a foreign country, and their miscellaneous expenditure is high, it does not seem possible to further reduce it. It is now at the lowest rate at which the allowance is issued at any station.

Field Allowance.

This allowance is issued only when officers are under canvas. In the present year no exceptional circumstances have occurred removing the troops into camp, and (besides the Suakin and Assouan moves, which cost a little over 700*l.*) the encapments have been limited to musketry practice of detachments.

Lodging Allowances.

This service is actually costing a little over 450*l.* a-month. The rates in Egypt are 50 per cent. higher than at home, and many of the Departmental, and nearly all the Staff, appointments are extra to the home establishments. The residue are calculated as costing 170*l.* a-month if stationed in England.

Barrack Services.

The cost of this group of services in England averages a little over 3*s.* a-head. In Egypt it is 8*s.* Sanitary services especially cause extra expense.

Engineer Services.

The expenditure under this head is purely additional expenditure, as the troops in Egypt occupy buildings clearly supplementary to those which exist at British stations, and the expenditure on maintenance at home has not in any way decreased by reason of the withdrawal of the force now in Egypt, the barracks at home being all in occupation. Any additions which may be made to the buildings occupied as barracks are almost entirely for sanitary services and for services connected with the health of the troops.

I have, &c.
(Signed) W. ST. JOHN BRODRICK.

No. 33.

The Marquis of Salisbury to Sir E. Baring.

(No. .)
(Telegraphic.) *Foreign Office, February* 27, 1889, 5 P.M.

YOUR telegram No. 59: Proposed Mission of Baron Richthofen to negotiate conversion of Preference Loan.

We do not object, but we cannot promise unconditional support of proposed conversion, nor that we will invite concurrence of financial houses. Much must depend on the circumstances of the moment.

After consulting Mr. Goschen, my own opinion is that you will do wisely to wait a little.

No. 34.

Sir E. Baring to the Marquis of Salisbury.—(Received February 28, 4·30 P.M.)

(No. 61.)
(Telegraphic.) *Cairo, February* 28, 1889, 2·50 P.M.

YOUR telegram No. 40 of yesterday.

After your expression of opinion there can be no question of sending Baron Richthofen at once. But I should be greatly obliged if you or Mr. Goschen would write me briefly by to-morrow's mail explaining more fully why delay is desirable.

Our reasons for wanting to push matter on are twofold.

In the first place, if we do not get the conversion through this summer, we fear some political events in Europe, more especially with reference to the present situation in France, which may postpone it indefinitely. You are of course much the best judge on this point.

Our second reason is local. We must borrow soon to go on with public works and the commutation of pensions. It is most undesirable to stop either of these operations. If the conversion is not made soon, a separate small loan must be contracted by issuing more of the 4½ per cent. stock of last year. We would much rather avoid this, and incorporate the amounts required for these objects into the large Conversion Loan.

No. 35.

Sir E. Baring to the Marquis of Salisbury.—(Received by telegraph, February 28.)

(No. 130. Confidential. Ext. 61.)
Cairo, February 28, 1889.

My Lord,

I HAVE the honour to acknowledge the receipt of your Lordship's telegram No. 40 of yesterday.

After your expression of opinion there can be no question of sending Baron de Richthofen at once. But I have ventured to telegraph to your Lordship to-day stating that I should be greatly obliged if your Lordship or Mr. Goschen could write to me briefly by the next mail explaining more fully why delay is desirable.

The reasons why Sir Edgar Vincent and myself wish to push matters on are twofold.

In the first place, if the Egyptian Government do not get the conversion through this summer, it is to be feared that some political events will occur in Europe, more especially with reference to the present situation in France, which may postpone it indefinitely. Your Lordship is, of course, much the best judge on this point.

The second reason is local. The Egyptian Government must borrow soon to go on with public works and the commutation of pensions. It is most undesirable to stop either of these operations. If the conversion is not made soon, a separate small loan must be contracted by issuing more of the 4½ per cent. stock of last year. It would be desirable to avoid this, and to incorporate the amounts required for these objects into the large Conversion Loan.

I have, &c.
(Signed) E. BARING.

No. 36.

Sir E. Baring to the Marquis of Salisbury.—(Received February 28.)

(No. 62.)
(Telegraphic.)

Cairo, February 28, 1889.

YOUR telegram No. 38 of 26th.

Satisfactory answers can be given to all the questions of the Stock Exchange Committee. But they are too long to telegraph. I will write by mail.

No. 37.

Foreign Office to War Office.

Foreign Office, February 28, 1889.

Sir,

I AM directed by the Marquis of Salisbury to transmit to you herewith, to be laid before Her Majesty's Secretary of State for War, a copy of a despatch from Her Majesty's Agent and Consul-General in Egypt,* stating that the Egyptian Government have agreed to refund to Her Majesty's Government the sum of 410*l.*, advanced by the latter at the request of the late Lupton Bey in efforts to effect his succour and release. The Egyptian Government have, however, coupled their consent with conditions which it will probably be impossible to accept.

It was at one time anticipated that the Egyptian Government would object to the repayment of this sum on the ground that the expenditure had been incurred without their sanction, and it will be seen that the Treasury have recommended that, to prevent possible future misunderstandings of this nature, fresh instructions should be sent to the military authorities in Egypt cautioning them against allowing any expenditure on behalf of the Egyptian Government which is not expressly sanctioned by the latter.

Sir E. Baring concurs in the propriety of this course, and Lord Salisbury would therefore suggest, for Mr. Secretary Stanhope's consideration, that instructions in this sense might with advantage be addressed to the British military authorities in Egypt.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

No. 38.

The Marquis of Salisbury to Sir E. Baring.

(No. 85.)

Foreign Office, March 1, 1889.

Sir,

I HAVE received your despatch No. 108 of the 14th ultimo, transmitting a copy of a Report by Mr. Palmer, in which the Budget estimates of the Egyptian Government for the last three years are contrasted with the actual receipts realized and the expenditure incurred.

The very small margin existing between the estimated revenue and the sums actually realized shows the care and accuracy bestowed upon the preparation of the Budget, while the fact that the total expenditure has been considerably below the estimate, and that during the past year no single Department of the Egyptian Government has exceeded the credits allowed to it, is conclusive testimony of the efficiency of the control now exercised over the whole expenditure of the State.

Her Majesty's Government have followed with much pleasure and satisfaction the continuous and successful efforts of the responsible officials of the Egyptian Government to place the finances of the country upon a sound and stable footing.

I am, &c.

(Signed) SALISBURY.

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* No. 28.

No. 39.

Sir E. Baring to the Marquis of Salisbury.—(Received March 3.)

(No. 115.)

Cairo, February 18, 1889.

My Lord,

IN continuation of my despatch No. 373 of the 4th December, 1888, I have the honour to inclose a Memorandum prepared at my request by Mr. Gorst, Third Secretary attached to Her Majesty's Agency, in which the accounts and estimates for the years 1888 and 1889 have been examined in detail. The accounts of 1888 were sent to your Lordship in my despatch No. 64 of the 27th January, and the Budget of 1889 in my despatch No. 398 of the 29th December, 1888.

Mr. Gorst's analysis of the figures is so clear and exhaustive that it will be unnecessary for me to make any lengthy observations on the financial situation.

In spite of the demands which the War Office was obliged to make on the Treasury, and in spite of the fact that the year, especially as regards the cotton crop, was not a very favourable one, the accounts of 1888 show a surplus of £ E. 70,000 against an estimated surplus of £ E. 38,000. This result is very satisfactory. It is in a great measure due to the effective control over expenditure exerted by the authorities of the Financial Department.

The Estimates of 1889 may be said practically to show financial equilibrium. They have been framed under circumstances of somewhat exceptional difficulty, due mainly to the uncertainty which still exists as to the full effect which will be produced on the revenue by the low Nile of 1888. Even, however, if the financial result of the year should turn out to be somewhat less favourable than that foreshadowed in the Estimates, there would be no cause for apprehending any very serious embarrassment. The Egyptian Government commences the year under the following favourable auspices:—(1) There is no floating debt; (2) the reserve fund, the greater portion of which is only available to meet a deficit in the revenues pledged to the service of the Debt, amounts to £ E. 610,000; (3) the working balance, amounting to £ E. 500,040, which was provided by the Convention of 1884, is still in the hands of the Egyptian Government, and has been increased by £ E. 161,000, being the amount of the accumulated surpluses of the last three years.

In writing to your Lordship on the 11th February, 1888, I made the following remarks:—"The financial Reports which, during the last four years, I have addressed to your Lordship and your Lordship's predecessors, have necessarily been of a somewhat gloomy character. It was, indeed, impossible to state with any degree of confidence whether Egypt would be able to solve the very serious financial difficulties, partly the result of past misgovernment and partly caused by the special events of 1882, which have been the cause of so much embarrassment during the last four years." I then examined the situation which existed when I wrote, and I stated the general conclusion at which I arrived in the following words:—"So far as can be at present foretold, the considerations to which I have drawn attention above appear to me to justify a more hopeful forecast of the future than at any time during the last five years. Some long while must yet elapse before all the financial difficulties which embarrass the Egyptian Government can be solved. In the meanwhile it may be said that Egypt is on the high road to a position of assured solvency."*

I think that I may now go somewhat further, and say that, so long as the present political situation in Egypt undergoes no radical change, it would take a series of untoward events to seriously endanger the stability of Egyptian finance and the solvency of the Egyptian Government.

Much has been done of late years to improve the financial situation of the Egyptian Government, on the soundness of which the welfare of the people of Egypt so greatly depends. Much still remains to be done.

In order that the steady and unostentatious progress which has so far been made should receive no check, it is absolutely necessary that one condition should be fulfilled. This condition is that the wise policy of remaining on the defensive at Suakin and Wady Halfa—which is dictated alike by political and financial considerations—should be steadily maintained.

One further condition is necessary in order that progress should continue at a somewhat accelerated rate. It is that some moderate sums of money should be borrowed in order to improve the communications and irrigation of Egypt, and thus

* See "Egypt No. 4 (1888)," pp. 24 and 25.

render the country less liable than heretofore to the dangers arising from a failure of the Nile flood.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 39.

Memorandum by Mr. Gorst.

IN the following Memorandum the figures are throughout given in Egyptian pounds: £ E. 1 is equivalent to 1*l.* 0*s.* 6*d.* sterling.

Accounts of 1888.

The Estimates for the year 1888 were as follows:—

	£ E.
Revenue	9,688,000
Expenditure	9,650,000
Surplus	38,000

It should be mentioned that these figures differ slightly from those given in the Budget for 1888. The reason is that the corvée "rachat" and the expenditure charged upon it do not appear in the Budget; but as they are included in the accounts, I have added them also to the Estimates in order that a more accurate comparison may be made between the two.

The accounts show the following result:—

	£ E.
Revenue	9,672,000
Expenditure	9,602,000
Surplus	70,000

The revenue was therefore £ E. 16,000 worse than the estimate.

The expenditure was £ E. 48,000 less than the estimate.

The net result was £ E. 32,000 better than the estimate.

Turning to the cash account, it will be seen that the year commenced with a balance of £ E. 3,083,000, and closed with a balance of £ E. 2,855,000. In spite of a small surplus on the ordinary Budget, the cash balance has, therefore, diminished by about £ E. 230,000 in the course of the year. The explanation of this is that at the commencement of 1888 the Egyptian Government owed Her Majesty's Government £ E. 340,000 on account of the capitation grant and the interest on the Suez Canal shares, which sum was shown in the 1887 accounts as paid and carried to the credit of a deposit account. The debt has now been discharged and appears on the expenditure side of the 1888 accounts, under the head of "Dépôts, Avances, et Comptes Spéciaux."

Revenue of 1888.

The following Table will enable a comparison to be made between the revenue of the years 1886 and 1887, and the Estimates and Accounts of 1888 under each of the major heads of account.

Head of Account.	1886.	1887.	1888 Estimates.	1888 Accounts.	Accounts Better (+) or Worse (−) than Estimates in 1888.
	£ E.	£	£ E.	£ E.	£ E.
I. Contributions Directes ..	5,386,000	5,469,000	5,394,000	5,373,000	− 21,000
II. Contributions Indirectes ..	1,712,000	1,742,000	1,897,000	1,745,000	− 152,000
III. Revenues des Administrations de Recettes	1,748,000	1,789,000	1,754,000	1,772,000	+ 18,000
IV. Recettes des Services Administratifs	588,000	394,000	498,000	628,000	+ 130,000
V. Location et Produits des Propriétés du Gouvernement ..	89,000	83,000	60,000	79,000	+ 19,000
VI. Recettes du Gouvernorat de Suakin	..	15,000	15,000	13,000	− 2,000
VII. Retenue sur les Traitements du Personnel	51,000	47,000	70,000	62,000	− 8,000
Total	9,574,000	9,539,000*	9,688,000	9,672,000	− 16,000

It will be observed from the above Table that the revenue fell short of the estimate by £ E. 16,000. Under two heads the discrepancy between the revenue and the estimate is considerable. The amount realized by indirect taxes was £ E. 152,000 less than was expected. On the other hand, the receipts from the "Services Administratifs" are greater by £ E. 130,000 than the estimate.

Before proceeding to discuss these figures and attempting to derive some conclusion from them as to the present position of the revenue of the Egyptian Government, it is desirable to consider in greater detail the different heads of account.

The following Table gives the details of the revenue derived from "Contributions Directes."

I.—Contributions Directes.

Head of Account.	1886.	1887.	1888 Estimates.	1888 Revenue.	Accounts Better (+) or Worse (−) than Estimates in 1888.
	£ E.	£ E.	£ E.	£ E.	£ E.
1. Land tax	5,141,000	5,169,000	5,083,000	5,059,000	− 24,000
2. Professional tax	155,000	148,000	} 311,000 {	141,000	} + 3,000
3. House tax	46,000	110,000		133,000	
4. Other minor taxes	44,000	42,000		40,000	
Total	5,386,000	5,469,000	5,394,000	5,373,000	− 21,000

It will be seen from this Table that the revenue derived from direct taxes in 1888, though only £ E. 21,000 less than the estimate, shows a falling-off of nearly £ E. 100,000 as compared with that obtained in 1887. This decrease is entirely due to a diminution in the receipts from the land tax. It is in part accounted for by the fact that the receipts, amounting in 1887 to about £ E. 40,000 from the special tax imposed on lands upon which tobacco is cultivated, are no longer entered under this head of account, but are included under "Contributions Indirectes." The fact, however, remains that the land tax brought in about £ E. 60,000 less in 1888 than in 1887, and was £ E. 24,000 short of the moderate figures at which it was estimated. This is, no doubt, due to the fact that 1888 was a bad year as regards agriculture. The cotton crop was a small one, and the taxes did not come in as well as had been expected.

* Exclusive of an abnormal receipt of £ E. 77,000 by sale of lands to the Suez Canal Company.

The revenue from the professional tax continues, as in past years, to show a steady tendency to fall off. This is owing to the greater care now taken to demand payment of the tax only from those persons who are legally obliged to pay it, and it may be considered a satisfactory sign of the progress made in the direction of orderly and legal Government. This tax is not, as yet, paid by Europeans.

The increase in the house tax, which in a normal year is estimated at £ E. 120,000 is caused by some of the arrears of 1887 having been collected in 1888.

The following Table shows the receipts obtained under the head of "Contributions Indirectes."

II.—Contributions Indirectes.

Head of Account.	1886.	1887.	1888 Estimates.	1888 Accounts.	Accounts Better (+) or Worse (−) than Estimates in 1888.
	£ E.	£ E.	£ E.	£ E.	£ E.
1. Customs (exclusive of tobacco) ..	627,000	648,000	643,000	622,000	− 21,000
2. Droit sur le tabac étranger ..	304,000	289,000	387,000	333,000	− 54,000
3. Droit sur le tabac indigène ..	(25,000)*	(39,000)*	17,000	10,000	− 7,000
4. Octrois	303,000	306,000	310,000	291,000	− 19,000
5. Salt and natron	202,000	210,000	210,000	212,000	+ 2,000
6. Fisheries	76,000	82,000	70,000	82,000	+ 12,000
7. Navigation dues	73,000	76,000	75,000	72,000	− 3,000
8. Stamps and registration ..	50,000	52,000	100,000	54,000	− 46,000
9. Miscellaneous	77,000	79,000	85,000	69,000	− 16,000
Total	1,712,000	1,742,000	1,897,000	1,745,000	− 152,000

It will be observed that though the revenue from indirect taxes in 1888 was equal to that received in 1887, it fell short of the estimate by £ E. 152,000. This result is in part due to special causes. In the first place, the duty on imported tobacco has not yet yielded so large an increase as was anticipated. As explained by Sir E. Baring in his despatch No. 68 of the 11th February, 1888, on the financial situation, it was expected that the importation of Turkish and Greek tobacco would be largely increased by the measures taken in connection with the taxation of tobacco grown in Egypt. Sir E. Baring expressed some apprehension at the time that the large stock of tobacco already in the country would delay for a time the realization of all the benefits expected from these measures, and such has turned out to be the case.

The increase of revenue (£ E. 44,000) over that obtained from this source in the preceding year is short of the estimated increase by £ E. 54,000.

The falling-off in the revenue derived from the tax on native-grown tobacco is also due to the legislation above mentioned, which raised the duty on lands growing tobacco from £ E. 2½ to £ E. 30 per feddan.

In the second place, the estimate under the head of "Stamps and Registration," credit was taken for increased receipts to the amount of £ E. 50,000. This, it was expected, would result from the operation of a new Law of registration and succession which it was proposed to introduce. This Law was not passed, and the anticipated receipts were, therefore, not obtained.

In the third place, the receipts under the head of "Miscellaneous" were diminished by about £ E. 10,000, owing to the "droit de pesage" having been abolished in several towns.

After, however, making allowance for these abnormal features, the receipts are still £ E. 35,000 less than the estimate. This cannot be considered otherwise than unsatisfactory, especially as the falling-off comes principally under the heads of "Customs" (exclusive of tobacco) and "Octrois."

The revenue from both of these is not only considerably less than the estimate, but also considerably less than that obtained in 1887. This result is due to trade having been bad; and I understand that the revival of trade, which has begun to take place in Europe, has not yet made itself felt in Egypt.

* Included under "Contributions Directes" in 1886 and 1887.

The details of the revenue derived from the "Administrations de Recettes" are shown in the following Table:—

III.—Administrations de Recettes.

Head of Account	1886.	1887.	1888 Estimates.	1888 Accounts.	Accounts Better (+) or Worse (−) than Estimates in 1888.
	£ E.	£ E.	£ E.	£ E.	£ E.
1. Railways	1,267,000	1,297,000	1,300,000	1,270,000	− 30,000
2. Helouan Railway	8,000	10,000	9,000	9,000	..
3. Telegraphs	37,000	35,000	35,000	26,000	− 9,000
4. Port of Alexandria	107,000	111,000	95,000	115,000	+ 20,000
5. Post Office	113,000	122,000	110,000	114,000	+ 4,000
6. Postal steamers	120,000	117,000	110,000	131,000	+ 21,000
7. Lighthouses	87,000	89,000	85,000	99,000	+ 14,000
8. Ports (other than that of Alexandria)	4,000	3,000	4,000	3,000	− 1,000
9. Mint	5,000	5,000	6,000	5,000	− 1,000
Total	1,748,000	1,789,000	1,754,000	1,772,000	+ 18,000

It will be seen from this Table that the receipts under this head continue to remain fairly stationary. The increase over the estimate is due to the fact that, as Sir E. Baring pointed out at the time when the Budget for 1888 was sent home, the revenues from the Port of Alexandria, Post Office, Postal Steamers, and Lighthouses, were taken at a somewhat unnecessarily low figure. Had it not been for the diminution in the railway receipts, caused by the smallness of the cotton crop, the revenue would have exceeded that derived in 1887.

The falling-off in the Telegraph receipts is mainly due to a reduction in the number of official telegrams, caused by greater care being paid to administrative economies, and is, so far, a matter for congratulation.

The increase in the revenue from Postal Steamers is especially satisfactory, in view of the competition with which of late years they have had to contend.

The following Table gives the detail of the "Recettes des Services Administratifs":—

IV.—Recettes des Services Administratifs.

Head of Account.	1886.	1887.	1888 Estimates.	1888 Accounts.	Accounts Better (+) or Worse (−) than Estimates in 1888.
	£ E.	£ E.	£ E.	£ E.	£ E.
1. Ministry of Justice	284,000	280,000	310,000	309,000	− 1,000
2. Miscellaneous..	54,000	80,000	30,000	72,000	+ 42,000
3. Redemption from military service .	250,000	28,000	70,000	159,000	+ 89,000
4. Redemption from corvée ..	..	6,000	88,000*	88,000	..
Total	588,000	394,000	498,000	628,000	+ 130,000

The Estimates of 1888 for the receipts from the Ministry of Justice included a sum of £ E. 25,000, which it was anticipated would result from a proposal to raise the scale of fees in the Native Courts to the level of those in the Mixed Courts. This proposal has not been put into execution, but the receipts are nevertheless equal to the estimate. This very satisfactory result is owing to the recovery of a considerable amount of taxes in the Native Tribunals which had fallen into arrear. It may be mentioned, in connection with this subject, that the Finance Department at the commencement of last year appointed Inspectors to control taxation both in the Native

* This item, as has been explained, was not estimated in the Budget. It is added for purposes of comparison.

and in the Mixed Tribunals, a measure to which the increased receipts under this head are, no doubt, in part due.

The revenue under the head of "Miscellaneous" is always a varying item, and no observations upon it are necessary.

The receipts from the payments for exemption from military service amounted in 1888 to £ E. 159,000, as compared with £ E. 70,000 in the Estimates, and with £ E. 28,000 in 1887. The explanation of these figures is as follows:—

At the time when the Budget was framed, it was proposed to change the system by which the lists of those liable to military service were made up every five years, and to make up the lists annually. It was anticipated that the revenues from the "Rachat Militaire," instead of being very large every fifth year, and very small during the intermediate periods, would be tolerably constant each year by reason of this change. In the meantime the working off of the arrears which have accumulated since 1885 was taken energetically in hand, and in the course of 1888 the arrears of about a year and a-half were completed. It is expected that by the end of 1891 the lists will have been brought up to date, and after that time they will be made up annually. The estimate for 1888 was, therefore, taken at a much higher figure than the receipts of 1887. The revenue from this source has, however, turned out to be more than double the estimate. This is due to two causes. In the first place, the amount payable for exemption from military service has been reduced from £ E. 40 to £ E. 20, thereby bringing this exemption within the reach of a new class of the population. In the second place, the increase in the army owing to the disturbances on the frontier and at Suakin caused a much larger number of recruits than usual to be called up.

The revenue under the head of "Redemption from Corvée" is practically a new item, and requires some explanation.

Instead of calling out the corvée to do such works as cannot be met out of the special fund of £ E. 250,000 for the reduction of the corvée, the experiment was tried last year in certain provinces of allowing all who were liable to be called up to exempt themselves on payment of a small sum. The amount so collected was expended in the province on works which would otherwise have been done by forced labour.

The sum paid for exemption is very small, being P. T. 30 (equivalent to 6*s.*) in Upper Egypt, and P. T. 40 (8*s.*) in Lower Egypt, with the exception of the districts where rice is cultivated, in which it is P .T. 20.

This sum is very far from representing the average value of the work which a man who has been called out has to do; but only a small proportion of the corvéables are called up each year, while the tax is collected from all alike. What is really required is an accurate census of those liable to be called up in each province. The amount necessary to pay for what would otherwise be done by forced labour could then be distributed over all the corvéables of the district, thus removing the hardship on those who are actually chosen. I understand that instructions have already been sent by Riaz Pasha to the Moudirs to compile a Census of this nature.

Last year the experiment was tried in three provinces of Lower Egypt and four provinces of Upper Egypt. The result has been an unqualified success in Lower Egypt. The amount collected was sufficient to allow of the corvée being dispensed with altogether in these three provinces. In two of the provinces of Upper Egypt the corvée was only reduced by about 50 per cent., owing to the system being put into force rather too late in the year. In the remaining two provinces of Upper Egypt the experiment was a failure owing to their Moudirs being more or less hostile to the innovation.

The total sum realized was £ E. 88,000, of which £ E. 74,000 was expended in the reduction of corvée labour. The balance is kept as a reserve fund with which to continue the experiment this year. The whole of Lower Egypt, with the exception of one province, as well as the two provinces of Upper Egypt from which successful results were obtained last year, have been placed under this system in 1889.

Sir Colin Scott Moncrieff is of opinion that by a gradual extension of the scheme the corvée will, in a very short time, have ceased to exist, and will be replaced by a small annual payment collected from all who are liable to be called upon for forced labour.

The revenue under the fifth major head of account, viz., "Location et Produits des Propriétés du Gouvernement," amounted to £ E. 79,000 in 1888 as compared with £ E. 83,000 in 1887. The diminution is due to the gradual sale of the Government lands.

The receipts from the "Gouvernorat de Suakin" amount to £ E. 13,000, being £ E. 2,000 less than in 1887.

£ E. 62,000 was received under the head of "Retenue sur les Traitements du Personnel," as compared with an estimate of £ E. 70,000. The estimate was not realized because fewer of the Government employés than was expected elected to serve under the new Pension Law, by the provisions of which the rate of deduction from salaries was increased from $3\frac{1}{3}$ to 5 per cent. The amount received from this source in 1887 (£ E. 47,000) was abnormally low, owing to the fact that the salaries for eleven months only were included in the accounts of that year.

Comparing the revenue of 1888 with that of 1887, the unsatisfactory features are that the receipts from the land tax diminished by £ E. 60,000, those from the Customs and Octrois by £ E. 40,000, and those from the railways by £ E. 30,000, all three being due to the fact that 1888 was a bad year in Egypt both for trade and agriculture. On the other hand, the receipts from the Ministry of Justice increased by £ E. 30,000, and those from the "Rachat Militaire" by £ E. 130,000, the latter increase being in part, however, of an exceptional character.

The total receipts of 1888 were £ E. 133,000 more than those of 1887. This is particularly satisfactory in view of the fact that the proposed Registration Law, which was estimated in the Budget to bring in £ E. 50,000, fell to the ground, and that the effects of the new measures respecting native tobacco have not yet had time to produce their full effect.

The general conclusions which, I venture to think, may be drawn from the above review, are:—

1. That the revenue remains steady even in a somewhat unsatisfactory year.
2. That there are signs of greater elasticity than has hitherto been the case.
3. That the Egyptian revenue, under present conditions and without increased taxation, may safely be taken in a normal year at rather over £ E. 9,600,000.

Expenditure of 1888.

The following Table will enable a general comparison to be made between the expenditure and Estimates of 1888 and the expenditure of the two previous years.:—

Head of Account.	1886.	1887.	1888 Estimates.	1888 Accounts.	Accounts Greater (+) or Less (−) than Estimates in 1888.
	£ E.	£ E.	£ E.	£ E.	£ E.
I. Liste Civile, Allocations, et Cabinet de Son Altesse le Khédive	334,000	358,000	358,000	358,000	..
II. Frais d'Administration et de Perception	1,852,000	1,819,000	1,855,000	1,850,000	− 5,000
III. Dépenses des Administrations de Recettes	884,003	898,000	878,000	871,000	− 7,000
IV. Sécurité Publique	1,012,000*	798,000*	648,000	721,000	+ 73,000
V. Gouvernorat de Suakin ..	28,000	31,000	17,000	29,000	+ 13,000
VI. Pensions	595,000*	558,000*	575,000	536,000	− 39,000
VII. Tribut et Dette Non-Consolidée	1,470,000	1,322,000	1,417,000	1,332,000	− 85,000
VIII. Dépenses Rémunératrices ..	68,000	32,000	..	3,000	+ 3,000
IX. Suppression partielle de la Corvée	266,000	237,000	324,000†	324,000†	..
X. Service de la Dette Consolidée	3,578,000	3,578,000	3,578,000	3,578,000	..
Total	10,107,000	9,631,000	9,650,000	9,602,000	− 48,000

In the above Table the figures for 1887 are less by about £ E. 140,000 than they would otherwise have been owing to a change in the form of accounting for the Domains and Daïra deficits, explained by Sir E. Baring in his financial despatch of last year. For purposes of comparison, the figures for 1887 include twelve months' salaries, although, as a matter of fact, on account of a change in the date of payment, the Egyptian Government only paid the salaries for eleven months in that year. For

* Inclusive of the amount charged to the Guaranteed Loan Account.
† Inclusive of the expenditure charged on the receipts from exemption from corvée.

the same reason the expenditure under the heads of "Sécurité Publique" and "Pensions," which was charged to the Guaranteed Loan Account, amounting to £ E. 522,000 in 1886 and to £ E. 225,000 in 1887, has been added to the figures of the ordinary Budget in those years. The whole of the expenditure under these heads in 1888 appears in the ordinary Budget.

Taking into consideration the £ E. 140,000 which should be added to the expenditure of 1887 on account of the Domains and Daïra deficits, it appears that the total expenditure of £ E. 9,602,000 in 1888 was £ E. 48,000 less than the estimate, £ E. 169,000 less than the total expenditure in 1887, and £ E. 505,000 less than the total expenditure of 1886.

Before proceeding to consider how far these figures bear witness to greater economy and more efficient administration, it will be advisable to look a little more closely into the details of each separate head of account.

The expenditure under the head of "Liste Civile" remains more or less stationary and does not call for any special observations.

The following Table gives the details of the expenditure under the head of "Frais d'Administration et de Perception":—

Head of Account	1886.	1887.	1888 Estimates.	1888 Accounts.	Accounts Greater (+) or Less (−) than Estimates in 1888.
	£ E.	£ E.	£ E.	£ E.	£ E.
1. Conseil des Ministres	5,000	5,000	5,000	5,000	..
2. " Législatif	8,000	7,000	8,000	9,000	+ 1,000
3. Ministère des Affaires Étrangères ..	11,000	11,000	12,000	12,000	..
4. " des Finances	160,000*	154,000*	137,000	133,000	− 4,000
5. " de l'Instruction Publique ..	69,000	67,000	70,000	70,000	..
6. " de l'Intérieur	126,000	127,000	133,000	143,000	+ 10,000
7. " de la Justice	315,000	320,000	327,000	316,000	− 11,000
8. " des Travaux Publics	462,000	447,000	465,000	478,000	+ 13,000
9. Cadastre	28,000	26,000	27,000	18,000	− 9,000
10. Services divers des Ministères	120,000	122,000	107,000	109,000	+ 2,000
11. Services Administratifs et de perception des Provinces, &c.	336,000	322,000	340,000	337,000	− 3,000
12. Douanes	84,000	82,000	86,000	99,000	+ 13,000
13. Octrois	43,000	46,000	50,000	46,000	− 4,000
14. Sel et natron	70,000	68,000	73,000	62,000	− 11,000
15. Pêcheries	11,000	11,000	12,000	10,000	− 2,000
16. Perception des Droits de Navigation ..	4,000	4,000	3,000	3,000	..
Total	1,852,000	1,819,000	1,855,000	1,850,000	− 5,000

It will be observed that the expenditure of 1888, though only £ E. 5,000 under the estimate, exceeded the expenditure of 1887 by £ E. 30,000. This increase occurred principally in the Ministry of the Interior, in the Ministry of Public Works, and in the Customs.

The increase in the expenditure of the Ministry of the Interior is in part accounted for by the fact that the Slave Trade Department, the expenditure on which amounted in 1888 to £ E. 8,000, has now been placed directly under that Ministry instead of being included in "Police" as heretofore.

The Budget of the Public Works Department was increased in the course of 1888 by two supplementary credits, amounting together to £ E. 37,000: one on account of the new "Palais de Justice" at Alexandria, and the other on account of certain repairs to railway dykes which had been damaged by the high Nile of 1887.

Lastly, the increase in the expenditure on the Customs was due partly to increasing the Coast-guard and partly to the transfer of a portion of the establishments under the head of "Octrois" and "Sel et Natron" to the Custom-house establishment.

Compared with former years, the cost of administration has hitherto shown a steady tendency to diminish, but the figures given above seem to point to the fact that the limit to which economy in this direction can be pushed has now been nearly reached.

* Inclusive of "Imprimerie Nationale."

The expenditure under the head of "Dépenses des Administrations de Recettes" is given in detail in the following Table:—

III.—Dépenses des Administrations de Recettes.

Head of Account.	1886.	1887.	1888 Estimates.	1888 Accounts.	Accounts Greater (+) or Less (−) than Estimates in 1888.
	£ E.	£ E.	£ E.	£ E.	£ E.
1. Railways	568,000	583,000	561,000	571,000	+ 10,000
2. Helouan Railway	6,000	5,000	9,000	5,000	− 4,000
3. Telegraphs	44,000	39,000	42,000	39,000	− 3,600
4. Port of Alexandria	31,000	28,000	17,000	19,000	+ 2,000
5. Post Office	91,000	96,000	100,000	94,000	− 6,000
6. Postal Steamers	106,000	105,000	104,000	100,000	− 4,000
7. Lighthouses	25,000	29,000	31,000	31,000	..
8. Ports (other than that of Alexandria) ..	11,000	11,000	12,000	10,000	− 2,000
9. Mint	2,000	2,000	2,000	2,000	..
Total	884,000	898,000	878,000	871,000	− 7,000

It will be seen from the Table that the expenditure under this head was less than the estimate by £. E. 7,000, and also less than the expenditure in the two previous years.

The railway expenditure varies in proportion to the revenue, and is, therefore, considerably less in 1888 than in 1887. With reference to the difference of £ E. 10,000 between the estimates and accounts of 1888, it may be mentioned that, when the Budget was framed, it was proposed to effect an economy of £ E. 24,000 on the 45 per cent. of the gross receipts, which should be expended on the railways. This proposal was subsequently abandoned, so that the expenditure is practically £ E. 14,000 under the estimate.

By the amalgamation of the Port of Alexandria with the Department of Ports and Lighthouses, an economy of about £ E. 12,000 a-year was effected in 1888.

The diminished expenditure on the Post Office and on the postal steamers is especially satisfactory in view of the increased receipts obtained from both these sources.

The following Table shows the particulars of the expenditure under the head of "Sécurité Publique":—

IV.—Sécurité Publique.

Head of Account.	1886.	1887.	1888 Estimates.	1888 Accounts.	Accounts Greater (+) or Less (−) than Estimates in 1888.
	£ E.	£ E.	£ E.	£ E.	£ E.
1. War	504,000*	352,000*	312,000	388,000	+ 76,000
2. Police and Prisons	313,000*	251,000	239,000	217,000	− 22,000
3. Army of Occupation	195,000	195,000	97,000	116,000	+ 19,000
Total	1,012,000	798,000	648,000	721,000	+ 73,000

It is a very satisfactory sign of the financial progress of the last year or two that, for the first time, the whole of the military and police expenditure appears in the ordinary Budget. It will be observed that the military expenditure of 1888 was greater than that incurred in 1887, and exceeded the estimate by £ E. 76,000. This was due to two causes. In the first place, at the time when the Budget was framed, it was proposed to make an economy of £ E. 60,000 in the war expenditure. This proposal was subsequently abandoned in consequence of the necessity of reinforcing

* Inclusive of the amount charged to the Guaranteed Loan account.

the garrison of Suakin. In the second place, the increase of the army in the latter part of the year, owing to the renewed activity of the Dervishes, caused an additional expenditure of about £ E. 17,000.

The decrease in the expenditure under the head of "Police and Prisons" is due partly to the transfer of the Slavery Department to the Ministry of the Interior, and partly to the carrying out of several economies in this branch of the Service.

The estimate of £ E. 97,000 for the expenses of the Army of Occupation was fixed at a time when it was hoped that the extra expenditure incurred by Her Majesty's Government under this head would not amount to more than 100,000*l*. The actual sum, however, turned out to be somewhat greater.

It is satisfactory to note that in spite of the troubles at Suakin, the total expenditure under the head of "Sécurité Publique" has steadily diminished since 1886.

The civil expenditure in connection with Suakin has remained fairly constant during the last three years. The Budget estimate was considerably under the expenditure, as it was intended to carry out certain economies in the Civil Government of Suakin. These economies have not yet been effected. This item formerly appeared under the head of "Soudan." In the past year no other Soudan expenditure figured in the ordinary Budget, but a sum of £ E. 71,000 was charged in 1888 under the head of "Soudan" to the Guaranteed Loan account.

The whole of the expenditure under the head of "Pensions" was charged in 1888 to the ordinary Budget. It amounted to £ E. 536,000 as compared with £ E. 558,000 in 1887, and £ E. 595,000 in 1886. The expenditure was £ E. 39,000 less than the estimate which was, as pointed out by Sir E. Baring at the time, a high one. Moreover, the commutation of pensions for land went on much faster in 1888 than had been expected. The question of the Pension charge is one of very great importance to the Egyptian Government, but I will postpone my remarks upon the present position until I come to deal with the Budget of 1889.

The details of the expenditure under the head of "Tribut et Dette Non-Consolidée" are given in the following Table :—

VII.—Tribut et Dette Non-Consolidée.

Head of Account.	1886.	1887.	1888 Estimates.	1888 Accounts.	Accounts Greater (+) or Less (−) than Estimates in 1888.
	£ E.	£ E.	£ E.	£ E.	£ E.
1. Tribute	678,000	678,000	678,000	678,000	..
2. Interest on Suez Canal shares	194,000	194,000	194,000	194,000	..
3. Daïra Khassa	34,000	34,000	34,000	34,000	..
4. Moukabala	150,000	150,000	150,000	150,000	..
5. Interest on advances and "frais de change"	..	6,000	11,000	3,000	− 8,000
6. Domains and Daïra deficits	414,000	260,000*	350,000	273,000	− 77,000
Total	1,470,000	1,322,000	1,417,000	1,332,000	− 85,000

The expenditure under the heads of Tribute, Interest on Suez Canal Shares, Daïra, Khassa, and Moukabala represents fixed charges, which call for no observation.

The interest on advances amounted to only £ E. 135 in the course of the year, as compared with £ E. 2,500 in 1887. This is most satisfactory and reflects great credit upon the economical administration of the Financial Department.

The Domains and Daïra deficits amounted to only £ E. 273,000 as compared with £ E. 400,000 (£ E. 260,000 + £ E. 140,000 not included in the 1887 accounts) in 1887, and £ E. 414,000 in 1886.

The reduction of the deficit is to some extent due to the rise in the price of sugar and cotton, and to a diminution of the Domains Debt through the sale of Domains lands to the Khedivial family, pensioners, and private individuals. Apart from these causes, however, a considerable improvement has taken place in the manner in which both these estates are administered.

* This figure includes only a part of the deficit of 1887.

In connection with this subject the following Table shows the progress made in the voluntary commutation of pensions for land in the course of 1888 :—

	Number of Pensioners.	Annual Pensions.	Capital Value.	Number of Feddans.
		£ E.	£ E.	
Domains	406	26,506	272,360	12,729
Free lands	176	4,724	59,300	5,322
Total	582	31,230	331,660	18,051

Of the total sum of £ E. 331,660 received by the pensioners, £ E. 257,400 was paid in Domains lands, £ E. 53,350 in free lands, and the balance in cash. From the commencement of the system in 1885 up to the end of 1888, 999 pensioners, representing a capital of £ E. 880,000 and receiving £ E. 88,000 per annum, have had their pensions commuted. At the present moment there are 372 claims outstanding, representing a capital value of £ E. 146,000, which are in course of settlement.

The expenditure under the head of "Dépenses Rémunératrices" shows what has been spent during the last three years in boring for petroleum at Zebel Zeit. No further expenditure in this direction will be incurred by the Egyptian Government, and if any steps are taken in the future to develop the petroleum, which undoubtedly exists in that neighbourhood, it will be effected through the agency of private enterprise.

The expenditure of £ E. 324,000 for the partial suppression of the corvée is made up of the normal figure of £ E. 250,000, plus the amount realized from the payments for exemption from the corvée, as already explained.

The figure of £ E. 3,578,000, under the head of "Service de la Dette Consolidée," represents the normal charge for interest on the debt and sinking funds, and calls for no special observations.

The conclusions that may be drawn from this examination of the expenditure for the year 1888 are, that by a careful and economical administration, the annual expenditure of the Egyptian Government has steadily decreased during the last three years; that it now amounts to about £ E. 9,600,000, but that so long as the military expenditure, fixed by the London Convention at £ E. 130,000, remains at its present figure, the limit of this diminution has been reached. In round numbers, the total expenditure of £ E. 9,600,000 may be divided into £ E. 4,700,000 for administrative services, and £ E. 4,900,000 for tribute and debt.

Guaranteed Loan Account.

The extraordinary expenditure authorized by the Convention of 1885 amounted to £ E. 10,163,000. Up to the end of 1888, £ E. 9,404,000 of this amount has been expended, leaving a balance of £ E. 759,000. The distribution of this balance is as follows :—

	£ E.
Saving on deficit of 1884, which was less than the estimate by	61,000
Soudan	44,000
Irrigation	154,000
Treasury funds	500,000
Total	759,000

Only £ E. 305,000 of this £ E. 759,000 exists in cash. The remainder of £ E. 454,000 is represented by lands belonging to the Egyptian Government, which must be sold for this amount before the accounts of the loan can be balanced. During the past year £ E. 27,000 has been received from the sale of these lands, and £ E. 43,000 from exchanging them in commutation of pensions. The remaining lands are estimated at £ E. 700,000, thus leaving a very large margin on the £ E. 454,000 which they should fetch to balance the loan funds. These lands are put up for sale by auction on the receipt of any reasonable offer. In order to get rid of them on favourable terms it is necessary to put them on the market gradually.

This temporary deficit in the loan funds has been met by including in the new 4½ per Cent. Loan, issued last year, a sum of £275,000 to cover charges on the Guaranteed Loan until the assets in question could be realized. Of this sum

£ E. 195,000 has already been expended, leaving a balance of £ E. 80,000 to go on with until the lands can be sold.

In the Convention of 1885 a sum of £ E. 1,000,000 was set aside for irrigation works. It is now estimated that the works at present in course of construction which are to be charged on this fund will cost from £ E 1,120,000 to £ E. 1,150,000. This difference will have ultimately to be provided for, but not in the course of the present year.

Amount of Debt.

At the commencement of 1888 the Public Debt of Egypt amounted to 103,028,000*l.* In the course of the year, debt to the amount of 1,422,000*l.* was redeemed, but by the issue of the new 4½ per Cent. Loan in connection with the settlement of the claims of the ex-Khedive and his family, the debt was increased by 2,330,000*l.*

The amount of the debt at the end of the year was, therefore, 103,936,000*l.* The fact most worthy of notice in the details of the above Returns is that the Domains Loan was reduced by 1,379,000*l.* in the course of the year; £ E. 257,000 of this was due to the commutation of pensions in exchange for Domains lands, and the remainder to the arrangement with the ex-Khedive and his family, whereby allowances to the value of £ E. 86,000 were exchanged for Domains lands to the value of £ E. 1,030,000 and £ E. 180,000 in cash.

The new 4½ per Cent. Loan, of the nominal value of 2,330,000*l.*, produced about £ E. 2,162,000. Of this sum £ E. 1,310,000 was expended in settling the claims of the ex-Khedive and his family; £ E. 245,000 in continuing the commutation of pensions for land; and £ E. 195,000, as already explained, as an advance on the unrealized assets of the Guaranteed Loan. After payment of the cost of issuing the loan and of the interest for 1888, there remained at the end of the year a balance of £ E. 383,000.

Reserve Fund.

The following Table shows the present state of the reserve fund, which was created in the course of last year:—

	£ E.
Sum saved in 1887 by the change in the payment of salaries and in making up the Domains and Daïra accounts	340,000
Surplus of 1887	69,000
" 1888	93,000
Interest on funds	20,000
Sale of lands	50,000
Rise in value of securities	38,000
Total	610,000

The reserve fund, which is eventually to be brought up to £ E. 2,000,000, is intended to be used in making good any deficiency in the payment of the interest on the debt, or of the expenditure authorized by the Powers in the London Convention and subsequent Decrees. It cannot be drawn upon for extraordinary expenditure without the assent of the Caisse.

It will be seen that this fund was augmented by £ E. 163,000 in the course of the year, and by an additional sum of £ E. 38,000 in consequence of the rise in the value of the securities in which it is invested. The existence of this fund very materially strengthens the financial position of the Egyptian Government.

General Financial Results of 1888.

I have now examined the cash account and the revenue and expenditure of 1888, and I have stated the present position of the debt and of the reserve fund. I now proceed to state the general financial results of the year.

After making up the accounts between the Egyptian Government and the Commissioners of the Debt in the somewhat complicated manner prescribed by the Convention of 1885, there remained a surplus of £ E. 186,000 to be divided equally between the Government and the Caisse de la Dette. From the moiety received by the Government, a sum of £ E. 1,000 must be deducted, being the amount by which the administrative expenditure exceeded the figure fixed by the London Convention and subsequent Decrees. The results of the year were, therefore, as follows:—

1. The cash balance of the Egyptian Government (exclusive of that held by the Commissioners of the Debt) amounted at the end of the year to £ E. 885,000.

2. The revenue was £ E. 9,672,000, and the expenditure £ E. 9,602,000, leaving a balance on the ordinary Budget of £ E. 70,000.

3. After making up the accounts in the manner prescribed by the Convention of 1885, there remains a surplus of £ E. 93,000 in the hands of the Commissioners of the Debt, which will be paid by them to the reserve fund, and a surplus of £ E. 92,000 in the hands of the Government, which will go to swell the available cash balance with which the year 1889 is commenced.

4. Extraordinary expenditure to the amount of £ E. 71,000 was charged to the loan funds on account of "Soudan" during the year.

5. The total expenditure charged to the loan account during the year was £ E. 526,000. The unspent balance amounted at the end of 1888 to £ E. 759,000, of which £ E. 305,000 in cash, and £ E. 454,000 in lands.

6. No new floating debt was commenced, but the capital of the outstanding debt was increased by 908,000*l.*, being the difference between the amount of the new 4½ per Cent. Loan and the amount of debt paid off. I will discuss the financial effect of this loan when I come to consider the Budget of 1889.

7. The reserve fund amounted to £ E. 610,000 at the close of the year.

8. The net savings of the Government on the surpluses of previous years, amounting at the beginning of 1888 to £ E. 69,000, were increased by £ E. 92,000, and amounted, therefore, to £ E. 161,000 at the close of the year. This sum is at the absolute disposal of the Egyptian Government.

Such are the main financial results of the year. It must be borne in mind that 1888 was an unfavourable year both in respect to trade and agriculture. Under these circumstances I venture to think that these results may be considered extremely satisfactory. The whole of the military and pension expenditure has been included in the ordinary Budget. The Domains and Daïra deficits are considerably less than in former years. The Egyptian Government begins the year 1889 with a total balance in hand of £ E. 771,000.

Budget of 1889.

The Budget of 1889 is as follows:—

	£ E.
Revenue	9,567,000
Expenditure..	9,559,000
Surplus	8,000

It will be necessary, however, to examine these figures in detail before any conclusions can be drawn as to the financial prospects of the current year.

Estimates of Revenue 1889.

The manner in which the total estimated revenue is distributed over the several major heads of account is given in the following Table, which also gives the corresponding receipts of 1888:—

Head of Account.	1888 Accounts.	1889 Estimates.	Estimates, 1889, Greater (+) or Less (−) than Accounts 1888.
	£ E.	£ E.	£ E.
I. Contributions Directes	5,373,000	5,169,000	− 204,000
II. Contributions Indirectes	1,745,000	1,910,000	+ 165,000
III. Revenus des Administrations de Recettes ..	1,772,000	1,816,000	+ 89,000
IV. Recettes des Services Administratifs	540,000*	470,000	− 70,000
V. Location et produit des propriétés du Gouvernement	79,000	75,000	− 4,000
VI. Recettes du Gouvernorat de Souakin	13,000	12,000	− 1,000
VII. Retenue sur les traitements du personnel ..	62,000	70,000	+ 8,000
Total	9,584,000	9,567,000	− 17,000

The difference of £ E. 204,000, under the head "Contributions Directes," between the accounts of 1888 and the Estimates of 1889, is entirely due to an expected reduction

* Exclusive of receipts from the "corvée rachat," which do not appear in the Estimates.

in the receipts from the land tax. The very low Nile of 1888 will, it is calculated, leave 250,000 feddans in Upper Egypt uncultivated in 1889, and will cause the receipts from the land tax to be diminished by a sum of about £E. 300,000. The estimate of the revenue from this source was, therefore, taken at about this amount less than the average yield. Since the Estimates were framed, the accounts of 1888 have been made up, and show a considerable falling-off in the receipts from the land tax last year. Under these circumstances, and unless the loss on account of lands left uncultivated should turn out to be less than the present estimate, I venture to think that the revenue under the head of "Contributions Directes" is taken at rather too high a figure.

Under the head of land tax is included £E. 12,000 in the Estimates of 1889 on account of the special tax on lands growing tobacco. This item, which amounted to £E. 10,000 in 1888, appeared in the accounts of that year under the head of "Contributions Indirectes." In consequeuce of the rise in the price of native tobacco, more than double the amount of land has been placed under this cultivation than was anticipated when the Budget Estimate of £E. 12,000 was framed. This estimate will, therefore, probably be exceeded by a considerable sum.

The estimated revenue under the head of "Contributions Indirectes" exceeds the actual receipts of 1888 by £E. 175,000, if the £E. 10,000 included under this head in 1888 on account of lands growing tobacco be deducted. The whole of this excess is due to an increase of the estimate of the receipts from the Customs, principally under the head of the duty on imported tobacco. The realization of this increase depends upon how far the native consumer transfers his custom from native to Greek and Turkish tobacco. Hitherto, in spite of the increase in the price of native tobacco, caused by the measures to which reference has already been made, the consumption of foreign tobacco in Egypt has not increased, but this is, no doubt, in a great measure, due to the large stock of native tobacco which existed in the country at the beginning of 1888, and which is not yet entirely exhausted. The price of native tobacco continues to rise steadily, and I understand that there are signs that the natives are beginning to take to foreign tobacco. It is possible, therefore, that the estimate may be realized, thought it appears to me to be somewhat high.

The receipts from the Octroi are taken at about the same amount as was obtained in 1888. This tax, as well as three other taxes of a vexatious character, have been abolished in fifteen towns of the interior, in which the inconveniences attendant on their collection were out of proportion to the revenue yielded.

The price of salt, which is a Government monopoly, has been reduced by 20 per cent. in the two poorest provinces of Upper Egypt. It is hoped that the immediate loss will ultimately be made up by an increased consumption.

The other items included under the head of "Contributions Indirectes" call for no special remarks, and appear to me to be estimated at a moderate, but sufficient, amount.

The estimate under the head of "Revenus des Administrations de Recettes" is £E. 89,000 in excess of the amount realized from this source in 1888. This is principally due to the increase in the railway rates for goods and first and second class passengers, which came into operation on the 15th January. It is expected that this measure, which is of a temporary character, will yield an additional revenue of £E. 90,000, and will bring up the railway receipts to £E. 1,390,000. This figure, which is based upon the receipts of 1887, appears to me somewhat high. The receipts of 1888 were less than those of 1887 by £E. 30,000, and there is no reason to suppose that the year 1889 will be more favourable, either as regards trade or agriculture, than the year 1888.

The Helouan Railway has now been handed over to a private Company, causing a reduction of about £E. 9,000 per annum in the receipts under this head of account.

The remaining items included under "Revenues des Administrations de Recettes" are, I think, very moderately estimated.

The revenue to be derived from the "Recettes des Services Administratifs" is taken at £E. 70,000 less than the actual receipts of last year. This is mainly due to the fact that the "Rachat Militaire" is expected to bring in about £E. 60,000 less than last year. The receipts from this source in 1888 were, as has been already explained, in part due to exceptional causes. The lists of those liable to serve in the army, upon the making up of which these receipts depend, are, however, still two and a-half years in arrear. During the current year the process of clearing them off will be continued. It is very difficult to form any accurate estimate of the revenue yielded

by the "Rachat Militaire," but the estimate of £E. 100,000 in the Budget of 1889 does not appear excessive.

The receipts from the Ministry of Justice are estimated to amount to the same figure as was reached last year. In view of the extension of the Native Tribunals to Upper Egypt, which should certainly have the effect of increasing the receipts under this head, and of the application of an increased scale of fees to the Native Tribunals, the estimate appears to me to have been placed at somewhat too low a figure.

The remaining heads of revenue are estimated at nearly the amount that was obtained in 1888. It is unnecessary for me to make any observations upon them.

The total revenue estimated to be obtained in 1889 is £E. 9,567,000, being £E. 17,000 less than the actual revenue of 1888. From the foregoing considerations I am, however, of opinion that the estimate has been placed rather too high. Even if the duty on imported tobacco brings in the increased returns that are anticipated, and this is a question which does not admit of any very definite forecast, the receipts from the land tax and the railways, on the basis of those received in 1888, are not unlikely to fall short of the estimate by about £E. 100,000. It is possible, however, that this difference of £E. 100,000 may be diminished by increased receipts from the Ministry of Justice and from "Rachat Militaire."

Ordinary Expenditure, 1889.

The following Table gives the actual expenditure of 1888, and the estimated expenditure of 1889, under the different major heads of account:—

Head of Account.	1888 Accounts.	1889 Estimates.	Estimates of 1889 Greater (+) or Less (−) than Accounts of 1888.
	£E.	£E.	£E.
I. Liste Civile, &c.	358,000	279,000	− 79,000
II. Frais d'Administration et de Perception ..	1,850,000	1,803,000	− 47,000
III. Dépenses des Administrations de Recettes ..	871,000	883,000	+ 12,000
IV. Sécurité Publique	721,000	774,000	+ 53,000
V. Gouvernorat de Suakin	29,000	25,000	− 4,000
VI. Pensions	536,000	500,000	− 36,000
VII. Tribut et Dette Non-Consolidée	1,332,000	1,337,000	+ 5,000
VIII. Dépenses Rémunératrices	3,000	..	− 3,000
IX. Suppression partielle de la Corvée	250,000*	250,000	..
X. Service de la Dette Consolidée	3,578,000	3,708,000	+ 130,000
Total	9,528,000	9,559,000	+ 31,000

The reduction of £E. 79,000 under the head of "Liste Civile," is due to the arrangement made last year with the ex-Khedive and his family.

The expenditure under the head of "Frais d'Administration et de Perception," is estimated at £E. 47,000 below the actual expenditure of 1888. The expenditure of the Ministry of Justice is taken at £E. 39,000 more than that in 1888, in view of the establishment of the new system of Native Tribunals in Upper Egypt. This increase will be to a certain extent counterbalanced by an increase of revenue.

The Public Works Budget shows an economy of £E. 30,000, of which £E. 20,000 is due to a reorganization of the "Tanzim," the administration charged with the construction and maintenance of roads in the different towns of Egypt. The abolition of the Cadastre makes a saving of £E. 18,000 a-year. The expenditure under the remaining items of this head, is, for the most part, estimated at rather less than the expenditure in 1888. In view, however, of the fact that all increases of salary in 1889 have been postponed, and that the salaries of all officials receiving more than £E. 2,000, except Ministers, have been reduced to £E. 2,000, it may be hoped that these economies will be realized.

The expenditure of the "Administrations de Recettes" is estimated at £E. 12,000 more than that of 1888. The railway expenditure is taken at £E. 585,000, which is 45 per cent. of the estimated revenue of £E. 1,300,000. It has been agreed with the

* Exclusive of expenditure charged on receipts from exemption from corvée.

Commissioners of the Debt not to expend upon the railways any portion of the extra £ E. 90,000 which it is anticipated will be realized by the new rates.

The estimate under the head of "Sécurité Publique" amounts to £ E. 774,000. It is made up of the following items:—

	£ E.
War..	454,000
Police and prisons	213,000
Army of Occupation	107,000
Total	774,000

The increased military expenditure is due to the increase of the Egyptian army which took place in the latter part of last year. This increase consisted of 1,000 Egyptian infantry, 890 Soudanese infantry, 75 cavalry, with 3 English officers and 34 Egyptian officers.

The police expenditure is taken at about the same figure as the actual expenditure of last year.

The estimate under the head of "Gouvernorat de Suakin" calls for no special observations. It is fixed at £ E. 4,000 less than the cost in 1888.

The Pension charge in 1889 is fixed at £ E. 500,000, as compared with an actual expenditure of £ E. 536,000 in 1888; moreover, in the course of last year, annual pensions to the amount of £ E. 31,000 were exchanged for their capitalized value. Of this sum of £ E. 536,000, over £ E. 100,000 was on account of Soudan officials. This will, of course, gradually die out and similar pensions will not recur. The total number of pensioners at the end of last year was about 18,000. At the beginning of 1888 there were 2,390 demands for pension or indemnity unsettled; 2,527 new demands were received during the year, 3,977 demands were settled, and there only remained 940 on the 31st December.

In October 1888 the Egyptian Government issued a Decree declaring that no demand presented more than six months after the date on which the official ceased to be employed would be accepted, and giving six months from the date of the Decree for all the old demands to be presented. Hence, by the end of April 1889, the Government will know exactly what their liabilities are. It is hoped, moreover, that by that date all the arrears now in hand will have been settled. A normal state will have been reached, especially as it may be taken for granted that no further large reductions in the establishments will be made, such as those carried out in the last two years. Under these circumstances, and in view of the fact that the Pension Regulations at present in force are more reasonable than was formerly the case, it may be expected, I think, that we have seen the worst, and that henceforth there will be a steady reduction in the Pension charge.

The only item under the head of "Tribut et Dette Non-Consolidée" that calls for any special remarks is the deficit of the Domains and Daïra in 1888, which is estimated in the Budget at £ E. 275,000, being about the same as the actual deficit of 1887 charged in the accounts of 1888. The latest estimate of this item, however, tends to show that the deficit will probably be between £ E. 50,000 and £ E. 60,000 less than the Budget Estimate.

The expenditure under the head of "Service de la Dette Consolidée" is estimated to exceed that of last year by £ E. 130,000. This is the amount appropriated to the service of the new 4½ per Cent. Loan by the Decree of the 30th April, 1888. Of the proceeds of this loan £ E. 1,310,000 was paid to the ex-Khedive and his family in full settlement of their claims in the past and also in commutation of their allowances in the future. The Civil List was thus reduced by £ E. 86,000 annually. As the interest upon £ E. 1,310,000 at 4½ per cent. amounts to £ E. 59,000, the financial relief occasioned by the settlement is obvious, apart from other considerations of expediency. A further advantage of the arrangement was that £ E. 1,030,000 of the amount was paid in Domains lands, and a corresponding portion of the Domains Loan paid off. The manner in which the remainder of the loan is to be employed has been explained. It is entirely devoted to reducing charges on the Government which already exist, and is not, therefore, really an increase of debt.

The general conclusion at which I arrive is that the estimates of expenditure are moderately framed, and, unless any unforeseen circumstances arise, should not be exceeded. If, indeed, the latest estimate of the amount of the Domains and Daïra deficits should prove correct, the actual expenditure of 1889 may be less than the estimate by about £ E. 60,000.

Prospects of 1889. *Net Result.*

The Budget Estimate for 1889 is, as I have already stated, as follows:—

	£ E.
Revenue	9,567,000
Expenditure..	9,559,000
Surplus	8,000

I have given my reasons for thinking that the revenue may fall about £ E. 100,000 short of the estimate under the head of "Land Tax and Railways." On the other hand, the receipts from the Ministry of Justice and from "Rachat Militaire" may be increased, and the expenditure may be £ E. 60,000 less than the estimate. The result is practically financial equilibrium, provided always that the anticipated increase in the Customs from tobacco is realized.

In view of the loss caused by the extraordinary low Nile of 1888, this result is by no means unsatisfactory. The year 1889 is the first year in which the Egyptian Government has attempted to meet extraordinary difficulties without recourse to borrowing and without trenching upon their reserve funds. It had been hoped by the financial authorities that a reduction of taxation might have been recommended without danger in 1889. As things have turned out, such a course is out of the question. But it may still be hoped that the year 1889 will prove that exceptional difficulties can now be surmounted without injuring the stability of Egyptian finance.

(Signed) J. L. GORST.

Cairo, February 18, 1889.

No. 40.

The Marquis of Salisbury to Sir E. Baring.

(No. 89.)

Foreign Office, March 5, 1889.

Sir,

WITH reference to my despatch No. 73 of the 15th ultimo, I transmit to you herewith a copy of a letter from the War Office,* containing a reply to the inquiries which I had caused to be made with regard to certain items in the estimate of the extra cost entailed on army funds by the maintenance of the Army of Occupation in Egypt during 1889-90.

I shall be glad to know whether you have any observations to offer on the case as now presented; and in the event of there being nothing in the estimate, considered in conjunction with the explanations now given by the War Office, which in your opinion calls for any remarks, I have to request that you will notify to the Egyptian Government the amount which it is proposed to claim in the ensuing financial year, viz., 105,500*l.*

I am, &c.

(Signed) SALISBURY.

No. 41.

Treasury to Foreign Office.—(Received March 8.)

Treasury Chambers, March 8, 1889.

Sir,

WITH reference to the letter from this Department of the 17th January last, I am directed by the Lords Commissioners of Her Majesty's Treasury to inclose, for the information of the Marquis of Salisbury, a copy of a Minute of this Board, dated the 7th instant, relative to completing the adjustment of accounts between the British and Egyptian Governments.

I am to request that a communication may be addressed through Sir E. Baring to the Caisse de la Dette Publique asking for the payment to the Treasury Chest at Cairo of the sum of 39,766*l.* (in round figures), which represents the deductions made in 1885 and 1886 from the interest on the purchase-money of the Suez Canal shares belonging to Her Majesty's Government, and which the Caisse have for some time held at the disposal of the British Government.

* No. 32.

The Treasury Chest Officer is being directed to give an acknowledgment of the receipt of this sum, and a formal receipt under the hand of one of the Secretaries to this Board will be subsequently given when the Treasury Chest Officer has advised this Department that the payment has been made.

Their Lordships expect that Parliament will vote a corresponding sum of 39,766*l.* within a few days, and immediate steps will then be taken to direct the transfer of the amount to the credit of the Egyptian Government by the Treasury Chest Officer.

Thereupon there will become transferable to the Treasury Chest at Cairo the remainder of the capitation grant (110,000*l.*) due in respect of 1889, viz.:—

	£
1. For the current quarter	27,500
2. The amount for which the Egyptian Government has taken credit in respect of the previous quarters, represented by the amount promised to be placed at their disposal, viz.	39,766
	67,266
Which together with the amount already received on account, viz. ..	42,734
Makes up the total capitation grant of	110,000

In conclusion, I am to request that you will state to Lord Salisbury that my Lords confidently count upon the fulfilment of the undertaking given by Mr. Palmer in Sir. E. Baring's despatch of the 28th January, since if the whole of the capitation grant is not received by the 31st instant, the War Office may be put to serious inconvenience.

I am, &c.
(Signed) FRANK MOWATT.

Inclosure in No. 41.

Treasury Minute dated March 7, 1889.

THE Board will recollect that after the accounts of Egyptian military expenditure were finally adjusted in pursuance of the Treasury Minute of the 4th February, 1887, a claim was preferred by the Egyptian Government through the War Office for 24,100*l.* in respect of steamers placed at the disposal of the General Officer Commanding during the Nile Expedition, and that the claim was not in itself inadmissible on the principle which had formed the basis of the settlement of the account between the two Governments.

It will also be remembered that Her Majesty's Government had admitted that the arrangements originally made with regard to the garrison at Suakin were such as might have led the Egyptian Government to form some expectation of further assistance towards the expenses at that place subsequently to 1886-87, when a grant was made from army funds.

Regard being had, on the one hand, to these considerations, and, on the other hand, to the inexpediency of reopening a settlement which was intended to be final, a proposal was made by this Board, and communicated to the Foreign Office in a letter dated the 23rd November, 1887, that, on receiving from the Egyptian Government an undertaking not to press any further claims whatever, Her Majesty's Government should forego their claim to the sum of 39,766*l.* which represented the amounts deducted in 1885 and 1886 from the interest on the purchase-money of the Suez Canal shares belonging to Her Majesty's Government, and which the Commissioners of the Caisse were prepared to pay over to the Imperial Exchequer.

Though the Egyptian Government gave the requisite undertaking, the proposal has not yet been carried into effect, inasmuch as it was held that the sum in question would, under section 2 of "The Suez Canal Shares Act, 1876" (39 & 40 Vict., cap. 67), have to be carried to the credit of Her Majesty's Exchequer in the absence of Parliamentary authority to the contrary.

With a view to avoid the necessity of seeking legislative power from Parliament, and at the same time to carry out the intention of Her Majesty's Government, the Chancellor of the Exchequer proposes that a special Vote of an amount corresponding to the sum of 39,766*l.*, which will be paid into the Exchequer, should be submitted to Parliament, and paid to the Egyptian Government as a "grant in aid" of completing the adjustment of accounts between the two Governments.

My Lords concur.

No. 42.

The Marquis of Salisbury to Sir E. Baring.

(No. 91.)

Foreign Office, March 8, 1889.

Sir,

YOUR despatch No. 115 of the 18th February, containing observations upon the financial situation in Egypt, has been received and laid before the Queen.

Mr. Gorst's analysis of the accounts inclosed by you is a very careful and lucid statement, and I have to request you to convey to him my appreciation of the industry and skill shown in its preparation.

Her Majesty's Government learn with satisfaction that you consider the stability of Egyptian finance and the solvency of the Egyptian Government to be now practically secured, and they entirely concur in your views as to the general policy which should be followed in Egypt, and the measures which may with advantage be taken in order still further to develop the resources of the country.

I am, &c.
(Signed) SALISBURY.

No. 43.

The Marquis of Salisbury to Sir E. Baring.

(No. 92.)

Foreign Office, March 8, 1889.

Sir,

WITH reference to your despatch No. 69 of the 28th ultimo, and to previous correspondence as to the present state of account between the British and Egyptian Governments, I transmit to you herewith a copy of a letter from the Treasury,* inclosing a Minute by the Lords Commissioners, from which it will be seen that it is intended to submit at once to Parliament a special Vote for the payment to the Egyptian Government of the sum of 39,766*l.*, in round figures, representing the deductions made in 1885 and 1886 from the interest on the purchase-money of the Suez Canal shares belonging to Her Majesty's Government, which is now held at their disposal by the Caisse de la Dette.

In accordance with the wishes of the Board of Treasury, you should address a request to the Commissioners of the Caisse de la Dette Publique for the payment of this sum to the British Treasury Chest at Cairo. An acknowledgment will be given by the Treasury Chest Officer, and a formal receipt will be furnished signed by one of the Secretaries of the Treasury.

As soon as the Vote has been passed by Parliament, steps will be taken for the transfer of the amount by the Treasury Chest Officer to the credit of the Egyptian Government.

There will then be due from the Egyptian Government a balance of 67,266*l.* out of the total charge of 110,000*l.* for expenses of the British Army of Occupation in the financial year 1888–89, of which 27,500*l.* is payable for the current quarter, and 39,766*l.* has hitherto been held to the credit of the Egyptian Government pending settlement of the payment now about to be made to them.

You will communicate to the Egyptian financial authorities the statement made in the last paragraph of the Treasury letter that serious inconvenience may be caused if the whole amount is not paid by the 31st of this month, and that the fulfilment of Mr. Palmer's promise on this point is confidently expected.

I am, &c.
(Signed) SALISBURY.

No. 44.

Sir E. Baring to the Marquis of Salisbury.—(Received March 11.)

(No. 134.)

Cairo, March 2, 1889.

My Lord,

I HAVE the honour to forward to your Lordship herewith copy of a note by Colonel Sir Colin Scott-Moncrieff enumerating the operations to be undertaken by the Ministry of Public Works for the improvement of the country, and the expenditure which will be required to carry out these schemes.

* No. 41.

The 1,000,000*l.* granted to public works has proved of the greatest benefit to Egypt, but is now practically exhausted, and Colonel Scott-Moncrieff asks for a further grant of 1,250,000*l.*, the expenditure of which is to be spread over six years, *i.e.*, till the end of 1894.

This subject has been already mentioned in my despatch No. 130, Confidential, of the 28th ultimo, and in other correspondence in connection with the proposed conversion of part of the Egyptian Debt; and I have already had the honour to point out to your Lordship that it is most undesirable that the operations of the Public Works Department should be stopped for want of funds, and that if the conversion scheme is not carried out, a separate loan will have to be contracted.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 44.

Note on Public Works Expenditure.

THE ordinary Public Works Budget of the Government of Egypt is as follows:—

	£
General establishment and expenses of the Ministry	109,118
New irrigation works	59,617
Maintenance and repairs of irrigation works	133,400
New Government buildings	34,589
Repairs of buildings, street maintenance, &c.	75,816
Archæological Department	6,276
Miscellaneous	29,034
Total	447,850

To this may be added the sum of 250,000*l.* devoted to the maintenance of canals and embankments, and the unpaid labour of the corvée, which may be estimated at 200,000*l.* more per annum.

Were Egypt not very peculiarly situated, this outlay on public works would seem out of all proportion to the total Budget of the country, which allows for an expenditure of only 4,522,026*l.* per annum, exclusive of the interest on the National Debt.

But the circumstances of the country are very exceptional. The absence of rainfall renders the efficient maintenance of its canals an absolute necessity to the life of Egypt.

The great river which gives it life is subject to yearly inundations, and for its long course of nearly 800 miles its banks must be protected and watched, especially in parts of the Delta where its flood surface is higher than the adjoining lands. From 60,000*l.* to 40,000*l.* is yearly spent on protection against inundation, besides a large share of corvée work.

Considering that it is only of recent years that the administration of the country on civilized principles has been attempted, the sum allotted for public buildings is not large including hospitals, court-houses, police buildings, Custom-houses, post-offices, schools, and all except gaols and military buildings.

Cairo and Alexandria are cities rapidly increasing and demanding new streets. The other towns of Egypt make similar demands, but they are simply ignored. The financial state of affairs forces us to ignore such demands, and to accept the fact that a country crushed with debt must postpone the erection of buildings elsewhere considered essential. But the wants of irrigation cannot be thus treated. The most sceptical can be easily convinced that money judiciously spent on their development will render a good profit, while it is no less easily shown that if such outlay is denied it will be impossible to go on collecting the present revenue.

The grant of 1,000,000*l.* in 1885 has proved of the greatest benefit to Egypt. The bulk of it has been spent on the "barrage" at the head of the Delta and the works necessitated by the "barrage." When these are finished, as I trust they will be in August 1890, the agriculture of the Delta will be placed beyond risk from deficient Nile floods, while for the cotton crop, whose existence depends on the low Nile irrigation, we shall have the means of utilizing the whole supply of the river allowing more to go to waste.

The completion of the "barrage" is a very difficult and anxious work, and it has been impossible to estimate beforehand what it would cost, for until the bed of the Nile could be laid bare, it was impossible to say in what state we should find its

foundations. Colonel Western's first forecast was 370,000*l.* It now appears that it will cost 470,000*l.* Other works have greatly exceeded our estimates, owing to the impossibility of obtaining in Egypt contractors having any knowledge of hydraulic works. Altogether the 1,000,000*l.* grant is likely to be exceeded by 190,000*l.* During the last few years it has become evident how much the lands of Lower Egypt were deteriorating for want of drainage, and how much valuable land might be reclaimed in the "bararis" or swamps bordering the lakes of Menzaleh, Burlos, Edkou, and Mareotis. In each province new drainage channels have been made since 1884, but much remains to do, and if a grant of 460,000*l.* could be made for this object alone I am sure it would be money well bestowed.

The failure of the last Nile flood has called to our notice the fact that about 40,000*l.* is annually lost in ordinary years, and from 1,000,000*l.* to 300,000*l.* in years of exceptionally defective Nile flood, and all this might be prevented.

Colonel Ross, Inspector-General of Irrigation, has closely studied the question. In order to secure that even in years of disastrously low Nile floods such as 1877, there shall be no part of Egypt "sharaki," or without irrigation, it is necessary to spend as follows:—

	Masonry Works.	Earthwork.			Grand Total.
		New Canals.	Widening and Deepening existing Canals.	Total Earthwork.	
	£	£	£	£	£
Upper Egypt	203,730	273,979	250,690	524,669	728,399
Lower Egypt	24,300	42,940	..	42,940	67,240
Total	228,030	316,919	250,690	567,609	796,639

It is evidently desirable to carry out these works as early as possible, but the ordinary resources of our Budget are quite insufficient. I would recommend a special grant for this purpose.

It has been urged that only 228,030*l.* of the above is on account of masonry works, and that the rest, representing 567,609*l.*, may be done by the corvée. To this I would reply that the corvée of the southern provinces in which these works are required is already fully occupied in keeping in repair the existing network of canals and embankments. Now the very essence of the whole system lies in scrupulously keeping the canals free of silt. This must not be scamped or neglected. By means of the corvée, and the fund for assisting the corvée, about 5,000,000 cubic metres of earthwork are annually executed in Gergeh and Keneh.

The new work in Keneh and Gergeh alone consists of about 18,000,000 cubic metres (that is more than four times the volume of the great Pyramid), and all our evidence goes to show that the corvée of the southern provinces is not sufficient for this increased burden. Even if they were, would it be judicious to ask them? This is proverbially the poorest part of Egypt. It has not benefitted by the 1,000,000*l.* spent nearly altogether in Lower Egypt, but it must pay its share of the interest of that 1,000,000*l.* It is surely only just that Lower Egypt should now help it.

A grant of 500,000*l.* will still leave earthwork in widening and deepening canals represented by 296,639*l.*, or 15,000,000 cubic metres to be done by the corvée, of which 11,000,000 is in Keneh and Gergeh. More than this I strongly deprecate.

It would be easy to mention other irrigation works throughout Egypt which might be profitably undertaken. First among these is, perhaps, the restoration of the Rayah Behera, the canal leading water from above the "barrage" which through neglect and bad management has become of very little use. From the day it is restored the Atfeh and, perhaps, the Khatalbeh pumps will be no longer required, and a great saving will be thus effected. To meet this and other similar works I would recommend a grant of 100,000*l.*

The total, then, is as follows:—

	£
For completion of the works from the 1,000,000*l.* fund..	190,000
For drainage works	460,000
For works to prevent "sharaki"	500,000
For general purposes	100,000
Total	1,250,000

I would recommend that this amount be spread over six years as follows:—

	£
To be spent in 1889	25,000
" " 1890	325,000
" " 1891	250,000
" " 1892	250,000
" " 1893	200,000
" " 1894	200,000

The small grant asked for 1889 is to enable work to begin directly after the Nile flood in November.

In this note no mention is made of railway extension, on which I have recommended elsewhere an outlay of 600,000*l*. One other important subject may be noticed, namely, the storage of Nile water, without which we must not look for any great extension of the area of cotton and the other crops requiring water when the river is at its lowest. The cheapest project for Nile storage is, I believe, that of Mr. Cope-Whitehouse, for creating a reservoir in the Wadi Raian. It will cost at least a million of money, and will add greatly to our facilities for low Nile irrigation. But I question whether it will be easy to obtain a direct money return for this outlay.

Finally, it may be inquired whether, after the 1,250,000*l*. asked for in this note is spent, it will be possible to administer the public works of the country with the present Budget of 447,850*l*. It is impossible to give an assurance to this effect. The engineer is always liable to attach undue importance to his own works, but I try not to shut my eyes to the general financial condition of Egypt. I think, then, considering all things, that 448,000*l*. is a fair grant, but as years roll on, new wants will inevitably be felt. A year ago I had no idea that "sharaki" lands were such an annual burden to the revenues, and could be so easily prevented. It may be that, in the future, we may find some other object in which it will be equally good economy to spend money. For the present I can only say that what I am now asking seems enough for the next six years. When they are past, it will remain for the Government of the day to decide for the future.

(Signed) C. C. SCOTT-MONCRIEFF,
Under-Secretary of State, Public Works Ministry.

Cairo, February 25, 1889.

No. 45.

War Office to Foreign Office.—(Received March 14.)

War Office, March 13, 1889.

Sir,

IN reply to your letter of the 28th ultimo, I am directed by the Secretary of State for War to inclose herewith, for Lord Salisbury's information, a copy of a letter which has been addressed to the General Officer Commanding in Egypt, with a view to preventing future issues of money on behalf of the Egyptian Government without the previous sanction of the latter.

I have, &c.
(Signed) H. T. DE LA BÈRE.

Inclosure in No. 45.

War Office to Major-General Dormer.

War Office, March 13, 1889.

Sir,

WITH reference to the letter addressed to you on the 27th March last, respecting moneys advanced for the service of Lupton Bey, I am directed by the Secretary of State for War to inclose copies of a letter, and its inclosure, from the Foreign Office from which it appears that there is some difficulty in obtaining from the Egyptian Government repayment of a portion of the total amount expended.

In accordance with the desire expressed in this correspondence, I am to request that you will be good enough to take such steps as you may consider necessary with a view to insuring that no expenditure shall, in future, be authorized by the British military authorities in Egypt on behalf of the Egyptian Government without the express sanction of the latter being previously obtained.

I have, &c.
(Signed) H. T. DE LA BÈRE.

No. 46*.

Sir E. Baring to the Marquis of Salisbury.—(Received March 23.)

(No. 142.) *Cairo, March* 12, 1889.

My Lord,

WITH reference to previous correspondence respecting the claims of the Khedivial family, and the arrangement come to whereby members of that family were authorized to exchange their "allocations" for money and Domains lands, I have the honour to inclose herewith a Decree published in yesterday's "Journal Officiel," authorizing an exchange of this nature in the case of their Highnesses Prince Mahmoud Pasha Hamdy and his mother, whose yearly allowance supplied from the Civil List amounted to £ E. 9,000, and has been commuted for a sum of £ E. 126,000.

The sum allowed to the Khedive for "allocations" of the Khedivial family will therefore be diminished by a corresponding amount.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 46*.

Extract from the "Journal Officiel" of March 11, 1889.

Décret.

NOUS, Khédive d'Égypte,

Vu le Décret du 30 Avril, 1888 (19 Chaban, 1305);

Sur la proposition de notre Ministre des Finances et l'avis conforme de notre Conseil des Ministres;

Décrétons:

Article 1er. L'arrangement intervenu entre leurs Altesses le Prince Mahmoud Pacha Hamdy et sa mère, et son Excellence Riaz Pacha, au nom du Gouvernement Égyptien, aux termes duquel l'allocation annuelle de £ E. 9,000 a été échangée contre des terres Domaniales et de l'argent comptant, jusqu'à concurrence d'une somme de £ E. 126,000 est approuvé.

Art. 2. La somme de £ E. 121,627 mise à notre disposition dans le Budget de l'État pour allocations à notre famille, sera diminuée du montant des allocations échangées en vertu de l'Arrangement visé à l'Article 1er.

Art. 3. Notre Ministre des Finances est chargé de l'exécution du présent Décret.

Fait au Palais d'Abdin, le 11 Mars, 1889 (9 Regeb, 1306).

(Signé) MÉHÉMET TEWFIK.

Par le Khédive:
Le Président du Conseil des Ministres,
Ministre des Finances,
(Signé) RIAZ.

No. 46.

Sir E. Baring to the Marquis of Salisbury.—(Received March 16, 3 P.M.)

(No. 66.)
(Telegraphic.) *Cairo, March* 16, 1889, 2·50 P.M.

YOUR despatch No. 92.

The 27,500*l.* will be paid by the Egyptian Government to the Treasury Chest here to-day.

No. 47.

Sir E. Baring to the Marquis of Salisbury.—(Received March 23.)

(No. 145.)

My Lord, *Cairo, March* 13, 1889.

I HAVE the honour to inclose a copy of a Circular and draft Decree which has been sent by the Egyptian Government to the Powers.

I have the following observations to offer in explanation of this Circular.

Article 496 of the "Code de Procédure Civile et Commerciale" is as follows:—

"Les salaires et gages des gens de service, les appointements d'employés, les traitements et pensions ne seront saisissables que jusqu'à concurrence du cinquième sur les premières P. T. 800 mensuelles et au-dessous, du quart sur les P. T. 2,000 suivantes et du tiers sur le surplus."

The Egyptian Government now propose that the total amount of all salaries and pensions should be exempted from seizure for debt.

Your Lordship will observe that the Court of Appeal has been consulted on this proposal and that they agree in it.

The Law will not be made retroactive. It will only apply to the future.

I have asked the principal Egyptian authorities concerned to explain to me the reasons which have led them to make this proposal.

I understand that they are as follows:

In the first place, a very large number of the employés and pensioners of the Government are in the hands of usurers who charge them very heavy rates of interest for any money which they may have borrowed. Once on the books of the usurer, the chance, as every one of Eastern experience knows, is that the debtor will never be able to discharge the full principal and interest of his debt.

Your Lordship is aware that one of the greatest evils existing in this country is the system of "bakshish." The first step towards putting a stop to the universal corruption which formerly prevailed in the Administrative Departments of the Government was to pay salaries regularly and to fix them at figures which would enable the employés to live without recourse to illicit means for increasing their incomes. This has been done, but, as the law now stands, it very frequently happens that, whilst an employé nominally receives an adequate sum from the Government in remuneration for his services, he virtually receives much less, inasmuch as a very considerable proportion of his salary is sequestered by his creditors. Hence the temptation, which it is most desirable to remove, continues to exist.

The proposed Decree, by destroying the credit of the employé, may in some instances cause inconvenience. But it is thought that this inconvenience will be more than counterbalanced by the effect which will be produced in saving the mass of employés from the consequences of their own improvidence.

This argument only applies to those who are actually in the service of the Government. As regards pensioners, it is argued that one of the reasons why the Government pays a certain sum for past services is that their employés may live respectably after they have left the Government service, and that it is not in the interest of the Government that pensioners should be reduced to a state of penury.

The principle is one which, so far as I recollect, is to some extent recognized in India, where considerable obstacles are placed in the way of commutation on the ground that, if a pensioner spends all his capital, he may be reduced to a state of poverty which renders him a discredit to the Government which he has served.

In the second place, it is urged that the seizures which take place under the existing law cause a great deal of trouble to the Government. A great many of the employés and pensioners are paid at local Treasuries in the provinces. The local officials, not unfrequently fail to make the proper deductions from the salary or

pension, and the Government then becomes responsible to the creditor for the amount which has not been registered.

I have made some inquiries as regards the practice of other countries in connection with this subject.

I am informed that under French law a certain proportion of the salary or pension of a Government servant may be seized.

In Italy, on the other hand, the whole amount of the salary or pension is made free from seizure. M. Rocca Serra, who drafted the Egyptian Decree, has informed me that he based it on the Italian law on this subject.

I have not consulted any English legal authority as to the practice in England, but I find on reference to 46 & 47 Vict., cap. 52, sec. 53, that in the case of an English employé in the service of the Government, whether civil, military or naval, who becomes bankrupt, the Court is empowered to allot whatever proportion it thinks fit of the salary to the creditors. The Court must, however, previously obtain "the consent of the chief officer of the Department under which the pay or salary is enjoyed." No such consent is required in this case of half-pay or pension.

The proposal now made is, therefore, not altogether in conformity with the English practice, but under the special circumstances which exist in Egypt, I think it may be adopted. I therefore beg to recommend it to your Lordship's favourable consideration.

I have, &c.
(Signed) E. BARING.

Inclosure 1 in No. 47.

Zulfikar Pasha to Sir E. Baring.

(Circulaire.)
M. le Ministre,

Le Caire, le 10 Mars, 1889.

LE Gouvernement de Son Altesse, frappé des inconvénients qui résultent, tant pour l'État que pour son personnel, des saisies pratiquées sur les traitements des employés ou des pensionnés, a pensé qu'il serait opportun de modifier la loi en ce qui concerne ces saisies, en déclarant incessibles et insaisissables les sommes dues par l'État et les diverses Administrations Gouvernementales à titre de traitement, de pension, de solde, ou d'indemnité de licenciement.

Il a donc préparé, dans ce sens, un projet de Décret qui a été soumis à l'examen de la Cour d'Appel Mixte, appelée à formuler son avis. La Cour en a approuvé l'idée et les termes, mais elle a, en même temps, émis l'avis que ce projet dérogeant aux dispositions de l'Article 496 du Code de Procédure Mixte, devait, au préalable, être déféré aux Puissances Signataires des Conventions de la Réforme Judiciaire.

J'ai, en conséquence, l'honneur de vous faire parvenir deux exemplaires, ci-annexés, de ce projet, et j'ai recours à vos bons offices, M. le Ministre, pour le soumettre à l'appréciation du Gouvernement de Sa Majesté, et obtenir son adhésion à la promulgation de ce Décret par le Gouvernement de Son Altesse.

Veuillez, &c.
Le Ministre des Affaires Étrangères,
(Signé) ZULFIKAR.

Inclosure 2 in No. 47.

Draft Decree.

NOUS, Khédive d'Égypte,

Décrétons :

Article 1er. Les sommes dues par l'État ou les Administrations Gouvernementales à titre de pension, de traitement, ou de solde, et les émoluments accessoires, sont incessibles et insaisissables, si ce n'est pour dette envers l'État, résultant de l'exercice des fonctions de l'employé ou pour pension alimentaire allouée par l'autorité compétente.

Dans les deux cas le montant de la retenue ne pourra excéder le quart de la pension, du traitement, de la solde, ou des émoluments accessoires.

Art. 2. La disposition de l'Article précédent s'étend aux pensions payées aux

veuves et aux orphelins et à tous autres ayants droit, ainsi qu'aux indemnités de licenciement ou tenant lieu de pension.

Art. 3. Il est dérogé dans les limites du présent Décret aux dispositions de l'Article 496 du Code de Procédure Mixte, et de l'Article 434 du Code de Procédure pour les Tribunaux Indigènes.

Art. 4. Ce Décret ne sera applicable qu'aux cessions et saisies-arrêts postérieures à la date de sa publication.

Art. 5. Nos Ministres des Finances et de la Justice sont chargés, chacun en ce qui le concerne, de l'exécution du présent Décret.

No. 48.

Sir E. Baring to the Marquis of Salisbury.—(Received March 25, 10·30 A.M.)

(No. 68.)
(Telegraphic.) *Cairo, March 25, 1889, 9·6 A.M.*

MY despatch No. 89 of 2nd February.

Has any progress been made in settling the matter with the Stock Exchange Committee? I am being pressed for an answer.

No. 49.

The Marquis of Salisbury to Sir E. Baring.

(No. 44.)
(Telegraphic.) *Foreign Office, March 25, 1889, 4·20 P.M.*

YOUR telegram No. 68 of to-day.

Stock Exchange Committee promise to consider the matter in a few days, being now very busy over the settlement for the quarter.

No. 50.

Sir E. Baring to the Marquis of Salisbury.—(Received March 27, 11 A.M.)

(No. 69. Confidential.)
(Telegraphic.) *Cairo, March 27, 1889, 10 A.M.*

YOUR Lordship's telegram No. 40 of the 27th ultimo.

I am being strongly pressed from many quarters to go on with the conversion. Looking to the present price of Unified stock, and to the fact that the Paris crisis is apparently over, it is impossible for me to give any reasons which would be considered valid here for further delay. I think the best plan would be for Sir E. Vincent to go on leave at once, discuss the matter with Mr. Goschen, and then decide as to whether to proceed with the scheme or not. Please telegraph if you approve.

No. 51.

The Marquis of Salisbury to Sir E. Baring.

(No. 45. Confidential.)
(Telegraphic.) *Foreign Office, March 28, 1889, 5·10 P.M.*

YOUR telegram No. 69.

Chancellor of the Exchequer does not like to take the responsibility of thwarting the Egyptian authorities about the proposed conversion.

He does not himself think the time opportune, but if Sir E. Vincent wishes to come to London he will raise no objection.

No. 52.

Sir E. Baring to the Marquis of Salisbury.—(Received March 28, 10·30 P.M.)

(No. 70.)
(Telegraphic.) *Cairo, March* 28, 1889, 7·50 P.M.

THE Commissioners of the Debt have telegraphed to the Banks of England and France asking them if they will take over the payment of the Egyptian coupons, which service has been hitherto performed by the Comptoir d'Escompte.

Sir E. Vincent would be glad if Her Majesty's Government would use their influence with the Bank of England to get them to comply with the request. I also think it would be the best arrangement.

No. 53.

Sir E. Baring to the Marquis of Salisbury.—(Received by telegraph, March 28.)

(No. 164. Ext. 70.)
My Lord, *Cairo, March* 28, 1889.

I HAVE the honour to report to your Lordship that the Commissioners of the Public Debt have telegraphed to the Banks of England and France asking them if they will take over the payment of the Egyptian coupons, which service has hitherto been performed by the Comptoir d'Escompte.

Sir Edgar Vincent would be glad if Her Majesty's Government would use their influence with the Bank of England to get them to comply with the request.

I also am of opinion that it would be the best arrangement.

I have, &c.
(Signed) E. BARING.

No. 54.

The Marquis of Salisbury to Sir E. Baring.

(No. 119.)
Sir, *Foreign Office, March* 29, 1889.

WITH reference to your despatch No. 69 of the 28th January, I transmit to you herewith a copy of a letter from the Treasury,* inclosing a receipt for two sums of 27,500*l.* and 39,765*l.* 14*s.* 10*d.*, or together 67,265*l.* 14*s.* 10*d.*, making up, with the previous payment of 42,734*l.* 5*s.* 2*d.*, the total sum of 110,000*l.* due for capitation in respect of the year 1888-89.

The Treasury further inclose a receipt for 39,765*l.* 14*s.* 10*d.* received from the Commissioners of the "Caisse de la Dette Publique," representing the deduction made in 1885 and 1886 from the interest on the purchase-money of the Suez Canal shares belonging to Her Majesty's Government.

I have to request that these receipts may be delivered to the Egyptian Government.

I am, &c.
(Signed) SALISBURY.

No. 55.

Sir E. Baring to the Marquis of Salisbury.—(Received April 3.)

(No. 148.)
My Lord, *Cairo, March* 15, 1889.

WITH reference to the Circular of the Egyptian Government inclosed in my despatch No. 145 of the 13th instant, I have now the honour to inclose an extract from the "Phare d'Alexandrie," in which the proposal to render the salaries and pensions of Government employés exempt from seizure for debt is discussed and criticized.

The editor of the "Phare d'Alexandrie" is a Greek, and the paper supports Greek

* Treasury, March 28, 1889.

interests. It is, therefore, no matter for surprise that it should express an opinion adverse to the proposal of the Egyptian Government. Most of the money-lenders, against whose proceedings it is the object of the Government to protect their employés, are Greek.

M. Maskens, the Belgian Consul-General, who called on me this morning, told me that he was in favour of the measure, and he added that Count d'Aubigny, to whom he had spoken, was disposed to recommend it to the favourable consideration of his Government.

To render the whole of the salary or pension exempt from seizure is without doubt a somewhat extensive measure, but I think that, under the special circumstances which exist in this country, it would be justifiable. I remain, therefore, of the opinion which I have already submitted to your Lordship in my despatch No. 145 of the 13th instant. It is probable, however, from the remarks made by the "Phare d'Alexandrie," that, irrespective of the difficulties arising from the present strained relations which exist between the Greek and Egyptian Governments, the measure is, on its own merits, likely to encounter some opposition from the former Government.

I have, &c.
(Signed) E. BARING.

No. 56.

Sir E. Baring to the Marquis of Salisbury.—(Received April 3.)

(No. 150.)
My Lord, *Cairo, March* 16, 1889.

I HAVE the honour to submit the following observations in reply to your Lordship's despatches No. 73 of the 15th February and No. 89 of the 5th March, which deal with the subject of the expenses of the Army of Occupation.

It is estimated that the extra expenditure involved by reason of the presence of the Army of Occupation in Egypt will during the year 1889-90 amount to 105,500*l.* The force numbers 3,400 men. This, therefore, is at the rate of about 31*l.* per man.

It is on every ground most desirable that this question, which has from time to time caused much trouble, should be finally settled. I venture to submit to your Lordship that no satisfactory settlement is possible unless the figures be examined in great detail on the spot, and unless some authority representing the Egyptian Government is associated with this examination. I have not the least doubt that the sum stated by the War Office represents the *bonâ fide* extra expenses incurred by reason of the presence of the Army of Occupation in Egypt. But it is most desirable, not only that the Egyptian authorities should themselves be convinced that such is the case, but also that it should be shown to them that no further economies can reasonably be made.

A very general opinion is entertained here that the army administration is not economical, and that considerable reductions of expenditure might be made without in any way impairing the efficiency of the force. I have not sufficient information at my disposal to be able to express any opinion as to the validity of this criticism, but it must be owned that the very heavy charge of 31*l.* extra per man affords some *primâ facie* ground for supposing that there is something to be said in support of this allegation. The information furnished by the War Office, and inclosed in your Lordship's despatch No. 73 of the 15th ultimo, is manifestly not sufficiently detailed to enable any independent opinion to be formed on this subject. So far, however, as it goes, it is scarcely of a nature to silence criticism. It would be very easy to point to several items in respect to which the expenditure would appear excessive. I forbear, however, to make any detailed criticisms for the moment, for without being in full possession of the facts connected with each item, it is impossible to deal with the subject in a satisfactory manner. I daresay that in many cases thoroughly satisfactory explanations can be given.

I venture to submit to your Lordship that in the consideration of this subject two questions are really at issue. The first is, whether the division of charge between England and Egypt is in thorough conformity with the principle laid down by Her Majesty's Government, that only the extra expenses should be borne by the latter country. The second, which appears to me to be more important, is whether by more economical administration both the English and Egyptian Treasuries cannot be relieved of a certain amount of the charges now thrown upon them.

Both of these questions appear to me to require thorough examination at the hands of persons on the spot. I venture to suggest therefore that a small Commission should be appointed to go into this question and report to Her Majesty's Government. I would compose the Commission as follows:—

1. Myself as President.
2. An Egyptian representative.
3. A Combatant Officer, named by the General Officer commanding the British troops in Cairo.
4. An official, designated either by the Treasury or the Financial Department of the War Office, who should be sent to Cairo, and should bring with him full detailed information as to how the figure of 105,500*l.* is arrived at.

I forbear to make any communication to the Egyptian Government on the subject of the charge for the year 1889-90 until I receive further instructions from your Lordship.

I have, &c.
(Signed) E. BARING.

No. 57.

Sir E. Baring to the Marquis of Salisbury.—(Received April 3.)

(No. 151.)
My Lord,

Cairo, March 18, 1889.

WITH reference to your Lordship's despatch No. 92 of the 8th instant, I had the honour to inform your Lordship by telegram on the 16th instant, that the Egyptian Government would on that day pay the sum of 27,500*l.* to the Treasury Chest at Cairo. At the same time, in accordance with the instructions contained in your Lordship's despatch, I addressed a request to the Commissioners of the Caisse de la Dette Publique for the repayment of the deductions made in 1885 and 1886 from the interest on the purchase-money of the Suez Canal shares belonging to the English Government, amounting, in round figures, to 39,766*l.*

I have now the honour to inclose copy of a letter which I have received from the Commissioner of the Caisse, informing me that the sum in question, amounting to £ E. 38,771—688 millièmes, will be paid by them to the English Treasury Chest in Cairo.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 57.

The Commissioners of the Caisse to Sir E. Baring.

M. le Ministre,

Caire, le 17 *Mars*, 1889.

NOUS avons l'honneur de vous accuser réception de votre lettre du 16 courant, par laquelle vous voulez bien nous informer que vous êtes autorisé par le Gouvernement de Sa Majesté Britannique de nous demander le remboursement des retenues faites en 1885 et 1886, sur les intérêts des actions du Canal de Suez appartenant au Gouvernement Anglais.

Ce remboursement s'élève à la somme de £ E. 38,771—688 millièmes, que nous payerons à la Caisse du Trésor Anglais au Caire, conformément au désir que vous nous exprimez.

Veuillez, &c.
Le Commissaire de Service,
(Signé) G. B. MACHIAVELLI.

No. 58.

Sir E. Baring to the Marquis of Salisbury.—(Received April 6.)

(No. 155. Confidential.)
My Lord,

Cairo, March 19, 1889.

I HAVE the honour to reply to your Lordship's despatch No. 19 of the 11th January. I must ask your Lordship to excuse the delay which has taken place

in answering this despatch. It has been due to the fact that my time has been recently fully taken up with other and more pressing matters.

The subject with which this despatch deals is, like most Egyptian questions of the same nature, very complicated. I will, however, endeavour to lay before your Lordship the facts of the case in as clear a form as possible.

I understand that M. Bouteron has drawn his salary at the rate of £ E. 3,000 a-year since the 1st January, but that Mr. Gibson, pending the settlement of the question, has not drawn any salary at all. I should also point out to your Lordship that Mr. Gibson's position is somewhat different to that of M. Bouteron. This is recognized in Mr. Gibson's letter to Lord Rothschild of the 6th December, 1888, in which he says that he accepted his present appointment with the understanding that his salary was liable to be reduced in the event of any change being made in the salary of the French Commissioner.

I now turn to the main point at issue.

Your Lordship observes in the despatch under reply "that inasmuch as the amount at which the salaries of the Commissioners were fixed was notified at the time to the British and French Governments, who were to select the persons to be appointed, and as, moreover, it was expressly stipulated that the Commissioners could not be removed without the consent of their respective Governments, it is not competent for the Egyptian Government to reduce their salaries without the concurrence of these Governments."

The correctness of this view does not appear to me to admit of doubt. Until recently I was under the impression that the Egyptian Government fully recognized that the salaries of the Domains Commissioners could not be reduced without the consent of the English and French Governments, and that they based their action solely on the plea that the consent of those Governments had been already obtained. As, however, I was given to understand that, at all events, so far as Riaz Pasha was concerned, some doubt was entertained on this point, I thought it desirable to write a letter, of which I have the honour to inclose a copy (Inclosure 1), to Tigrane Pasha on the subject. I have also the honour to inclose Tigrane Pasha's reply (Inclosures 2 to 6).

Your Lordship will observe that no specific answer is given to my question, the truth, I fancy, being that Riaz Pasha is himself inclined to think that the Egyptian Government have an absolute right to reduce the salaries, whereas other Egyptian authorities are fully aware that no such right exists.

I do not know that the point is one of very great practical importance, for the real question at issue is whether the assent of the English and French Governments has, or has not, been already given.

In connection with this branch of the subject I beg to refer your Lordship to the correspondence which took place in 1886, and especially to the Earl of Rosebery's despatch to me of the 16th March, 1886 ("Egypt No. 4, 1886," p. 153). In this despatch it is stated that Her Majesty's Government "are prepared under the circumstances to accept the arrangement proposed by the French Consul-General, that the amount (of the salaries of the Commissioners of the Debt) should be fixed at 2,700*l.* a-year for the next three years, with the promise that at the expiration of that period the salaries should be reduced to 2,000*l.*, and that at the same time there should be a similar reduction of the salaries now above that amount, except in the case of Ministers and of other officials whose contracts may not have expired."

Nubar Pasha's acceptance of this proposal was communicated to me on the 29th March, 1886, and forwarded by me to the Earl of Rosebery (see p. 159 of "Egypt No. 4, 1886").

A reference to the Powers became necessary, not in order to obtain their adhesion to the reduction of the salaries, but in order to enable the administrative budget of the Egyptian Government to be increased. The arrangement was, therefore, embodied in a Circular which was sent by the Earl of Rosebery to the Great Powers on the 30th April, 1886 (p. 175 of "Egypt, No. 6, 1886").

All the Great Powers agreed to this proposal. I do not find on record any formal notification of the adhesion of the French Government, but inasmuch as the proposal was initiated by that Government, their formal adhesion was scarcely necessary. Moreover, the view of the French Government is sufficiently shown in a letter addressed by M. Barrère, then Consul-General, to Nubar Pasha, on the 27th November, 1885, of which I have the honour to inclose a copy (Inclosure 7). Your Lordship will observe that in this letter M. Barrère speaks of the reduction to a maximum salary of

2,000*l.* of "les traitements des fonctionnaires du Gouvernement de Son Altesse, indigènes ou Européens, sans aucune exception."

No provision was at the time made for excluding the Commissioners of the Domains from this arrangement. The contention of the Egyptian Government is, therefore, that they were included in it, and that, as I have already said, the assent of the English and French Governments to the proposed reduction has already been given.

The first reply which the Domains Commissioners make to this argument is that they do not come within the terms of the arrangement made in 1886 in connection with the reduction of salaries. They point to the fact that the arrangement was not to apply to "officials whose contracts may not have expired." They contend that, although they have no personal contracts, the manner in which they were appointed was equivalent not only to a contract, but, so far as I can understand, to what is almost tantamount to a perpetual contract, that is to say, to a contract which was to last until the total extinction of the Domains Loan.

In order that I might clearly understand this argument, I asked Mr. Gibson to explain it to me in writing. I have now the honour to inclose a copy of Mr. Gibson's letter, dated the 27th February (Inclosure 8).

Your Lordship will observe that the case of the Domains Commissioners is based on the following documents:—

1. Article 2 of the Contract between the Egyptian Government and Messrs. Rothschild of the 1st February, 1879, a copy of which I inclose (Inclosure 9) for convenience of reference.

2. Sir Julian Pauncefote's letter to Baron Rothschild of the 22nd October, 1878, and M. Waddington's letter to Baron Rothschild of the 28th October, 1878. I also inclose copies of these letters (Inclosures 10 and 11).

3. A letter addressed by M. Waddington to M. Bouteron on the 20th January, 1879, of which an extract is given in Mr. Gibson's letter to me of the 27th February (Inclosure 8).

I cannot say what view would be taken by a court of law upon the question which I have propounded above.

My own view is that the Domains Commissioners were included in the arrangement of 1886, and that, therefore, their salaries should be reduced to 2,000*l.* a-year.

I base this opinion on the following grounds.

In the first place, I contend that the fact that they were not specifically excluded appears to me to warrant the conclusion that they were included in the arrangement.

In the second place, I see no equitable ground for excluding them when the salaries of other high officials are to be reduced.

In saying this I particularly wish not be misunderstood.

Your Lordship will remember that under the arrangement reported in my despatch No. 65, Confidential, of the 27th January, the French Government are under an engagement not to raise any objections if, in exceptional cases, salaries are raised above 2,000*l.* a-year. I fully recognize the very valuable services performed by the Domains Commissioners.

M. Bouteron, whose name I mention as he has taken the most prominent part in the controversy, is a thoroughly honest and very capable man. I do not think that, considered exclusively on his own merits, 3,000*l.* a-year is by any means an extravagant salary to pay him. But the same remark applies to other European officials whose salaries have been reduced. I cannot say that I think that the Domains Commissioners can be treated as "exceptional cases" within the terms of the arrangement recently made with Count d'Aubigny. I am, therefore, led to the conclusion that there is no sufficient equitable ground for continuing to pay 3,000*l.* a-year to the Domains Commissioners.

I have so far dealt with the question merely from the point of view of the engagements subsisting between the Egyptian Government on the one hand, and the English and French Governments on the other hand. Your Lordship will, however, observe that, in the opinion of the Domains Commissioners, their salaries cannot be reduced without the assent of Messrs. Rothschild.

This is a purely legal question, and one on which I do not feel myself competent to give an opinion.

On the one hand, I inclose, for your Lordship's information, a copy of an opinion given by Messrs. Gilly, Athanasaki, and Deroche, three of the most distinguished lawyers in Egypt (Inclosure 12). They say: "Rien donc, dans ce qui touche à la situation des Commissaires, ne peut être changé sans l'assentiment des Gouvernements qui les ont nommés et de MM. de Rothschild."

On the other hand, I inclose the "opinion officieuse" of M. Rocca Serra (Inclosure 13), who is also a very competent lawyer. M. Rocca Serra says: "Du moment que le Gouvernement a obtenu l'adhésion des dits Gouvernements (that is the English and French Governments) la réduction devient absolument légale."

M. Rocca Serra has seen the opinion of Messrs. Gilly, Athanasaki, and Deroche, and has informed me that it does not modify his view.

In Mr. Gibson's letter to Lord Rothschild of the 15th December, inclosed in your Lordship's despatch under reply, he alludes to certain proposals made by M. Bouteron with a view to arranging this matter. It is desirable that I should explain the nature of those arrangements.

I have already explained that M. Bouteron thinks that he has a perpetual contract. He says, however, that he is willing to compromise the matter. He points out that the Commissioners of the Daïra received a lump sum some two or three years ago, representing the present value of the difference between the salaries to which, under contract, they were entitled for five years, and the amounts to which their salaries were reduced. He further points out that the last of the unexpired Contracts, that of Mr. Caillard, the Director-General of the Customs, expires in August 1890. He proposes that he and Mr. Gibson should receive the present value of 1,000*l.* a-year from January 1889 to August 1890. I have not caused an accurate valuation to be made, but I presume that this would give them some 1,300*l.* or 1,400*l.* each.

Mr. Gibson has already stated that he is prepared to accept the reduced salary. I cannot say for certain what M. Bouteron would do if his salary were reduced without compensation. In virtue of a letter addressed by Nubar Pasha to the Commissioners on the 30th October, 1886, a copy of which I have the honour to inclose (Inclosure 14), the Commissioners have a right to an indemnity of 2,500*l.* if they are obliged to leave the service "par une circonstance de force majeure." The Egyptian Government, acting under legal advice, holds that the engagement contained in this letter ceased to exist on the 1st January, 1889, from which date, in virtue of the arrangement made with the English and French Governments in 1886, the original contract with the Commissioners may be said to have terminated. They consider that from that date the Commissioners have a right to 2,000*l.* a-year without any indemnity. It is, however, open to M. Bouteron not to accept these terms. Whether, if he resigned, he would be entitled to an indemnity under the terms of Nubar Pasha's letter of the 30th October, 1886, is doubtful. It would depend upon whether the Law Courts, if the case came before them, held that resignation in consequence of a reduction of salary was or was not "une circonstance de force majeure." However this may be, I am confident that it would now be impossible to arrive at any such compromise as that proposed by M. Bouteron.

It remains to be considered what course Her Majesty's Government should adopt in connection with this subject.

The main question at issue, as I have already explained, is to decide the interpretation which should be placed upon the arrangement of 1886. One possible method of solving this question would be for the three Contracting Parties, namely, the English, French, and Egyptian Governments, to consider the matter, and to place their own interpretation on the arrangement. I was at first disposed to recommend the adoption of this course, but I find that the Egyptian authorities are greatly opposed to it. In the first place, they fear that the French interpretation will be hostile to their view. In the second place, they fear that any departure from what they consider to be the arrangement of 1886, unless it be in consequence of a legal decision, will involve a complete breakdown of the arrangement, and that they will thus be obliged to raise the salaries of the Commissioners of the Debt, and other European officials. They would, therefore, greatly prefer that the question should be decided by the Tribunals.

Under all the circumstances of the case, I think, perhaps, the best plan would be for Her Majesty's Government to abstain from interference, and to allow the matter to be decided by the Law Courts.

I have, &c.
(Signed) E. BARING.

Inclosure 1 in No. 58.

Sir E. Baring to Tigrane Pasha.

My dear Tigrane Pasha, *Cairo, March* 16, 1889.

I INCLOSE copy of a despatch which I have received from Lord Salisbury. You will observe that Messrs. Rothschild have communicated with Lord Salisbury with a view to ascertaining the views of Her Majesty's Government as regards the question of salary now in dispute between the Egyptian Government and the Domains Commissioners. Lord Salisbury requests me to send him a report on the subject.

In this despatch Lord Salisbury observes that it would appear that the Egyptian Government "assert the right of reducing the salaries by a Ministerial Decree and without the assent of the British and French Governments." "This," Lord Salisbury adds, "it appears to me, it is not competent for them to do in the absence of any new agreement between the three Governments."

Until quite recently I was under the impression that the Egyptian Government based the proposed reduction of the salaries solely on the ground that, in their opinion, the Commissioners were included in the Arrangement of 1886, under which a general reduction of salaries was contemplated, and that they did not claim any right to change the salaries of the two Commissioners without the assent of the English and French Governments. I understand, however, that some doubt is entertained on this point.

In order that I may run no risk of interpreting Riaz Pasha's views incorrectly, I think it would be as well that I should receive in writing an expression of the opinion of the Egyptian Government on this point. Might I, therefore, ask you to be so good as to submit this letter to his Excellency?

Very, &c.
(Signed) EVELYN BARING.

Inclosure 2 in No. 58.

Tigrane Pasha to Sir E. Baring.

Mon cher Sir Evelyn, *Le Caire, le* 19 *Mars*, 1889.

J'AI donné connaissance à Riaz Pacha du contenu de la lettre que vous avez bien voulu m'adresser le 16 de ce mois au sujet des traitements de MM. les Commissaires des Domaines. Son Excellence me charge de vous informer que le Gouvernement de Son Altesse n'a pas cru devoir examiner si ces traitements pouvaient être diminués de sa seule volonté, puisque les Gouvernements Anglais et Français avaient déjà adhéré sans réserves à ce que tous les traitements fussent ramenés à un chiffre maximum de 2,000*l.*

En effet, l'opportunité de réduire les gros appointements a été, d'abord, soulevée, comme vous le savez, par les Délégués Anglais, lors des travaux préliminaires de la Conférence de 1884, et le chiffre de 2,000*l.* proposé par eux fut accepté par les autres Délégués, à condition que cette diminution devînt l'objet d'une mesure générale.

En 1885, à l'occasion de l'adjonction des Commissaires Allemand et Russe à la Caisse de la Dette, le Gouvernement de Son Altesse proposa de ramener les traitements de tous les les Commissaires au chiffre ci-dessus indiqué. M. Barrère répondit qu'il trouvait la suggestion judicieuse et que son Gouvernement s'empresserait de l'accepter si la mesure était appliquée *sans aucune exception.*

La proposition faite par le Comte d'Aunay maintint le même principe, en excluant toutefois les Ministres de la mesure projetée, et en créant une période transitoire de trois années, à la fin desquelles tous les traitements seraient ramenés à 2,000*l.*

Ainsi, aucune de ces négociations, ni la Circulaire de Lord Rosebery, en date du 30 Avril, 1886, ni la lettre de Nubar Pacha à Sir E. Baring, en date du 29 Mars, 1886, qui a motivé cette Circulaire, ne font mention d'une situation privilégiée à créer aux Commissaires des Domaines. Au contraire, il ne s'agit, partout, que *d'une mesure générale à appliquer à tous les fonctionnaires sans exception, sauf les Ministres et ceux des fonctionnaires dont les contrats ne seraient pas encore expirés.*

Riaz Pacha me dit que le Conseil des Ministres ne s'est arrêté à la conclusion que les Commissaires des Domaines sont compris dans l'arrangement de 1886, qu'après avoir mûrement étudié la question. D'ailleurs, cette manière de voir s'est trouvé corroboré lorsque le Ministère des Finances invita MM. les Commissaires de la Caisse

à ne faire figurer leurs traitements, au Budget de 1889, qu'à raison de 2,000*l.*, et qu'ils s'adressèrent à son Excellence pour s'assurer si cette réduction avait été appliquée à tous les fonctionnaires et, entre autres, aux Commissaires des Domaines. La Caisse de la Dette rappelait qu'en vertu de l'Article 2 du Contrat de MM. les Commissaires, leurs traitements n'étaient réductibles que *sous réserve de l'arrangement diplomatique intervenu à ce sujet.* En réponse, son Excellence a dû leur donner l'assurance que tous les traitements supérieurs à 2,000*l.* avaient été réduits à ce chiffre à partir du 1er Janvier, 1889, avec la seule exception de Mr. Caillard, pour lequel il fallait attendre que son contrat expirât.

Malgré cette assurance, il paraîtrait que les Commissaires de la Caisse s'abstiennent de toucher intégralement leurs traitements, en attendant, probablement, l'issue de l'incident soulevé par M. Bouteron.

Riaz Pacha pense donc que si on venait à s'écarter de la mesure générale pour créer une exception en faveur de MM. les Commissaires des Domaines, tout l'arrangement intervenu, à la suite de la Circulaire de Lord Rosebery, menacerait de rester lettre-morte, au détriment du Trésor Égyptien. Ce résultat serait d'autant plus fâcheux que toutes les mesures d'économie prises par le Gouvernement (licenciement de nombreux employés, avancement suspendu) n'auraient atteint ainsi que plus spécialement les employés indigènes.

Il est vrai qu'entre autres arguments M. Bouteron fait valoir que les conditions dans lesquelles il a été engagé équivalent à un contrat formel jusqu'à l'acquittement intégral de l'emprunt, auquel cas il bénéficierait de la clause relative aux contrats dans l'arrangement intervenu. Le Gouvernement ne saurait accepter cette manière de voir, mais il sera toujours loisible à MM. les Commissaires de porter leur réclamation devant l'autorité judiciaire. Un Arrêt de la Cour présenterait cet avantage pour le Gouvernement qu'il serait opposable à tous les intéressés, et ne soulèverait pas de questions diplomatiques pour chacun des fonctionnaires qui ont été atteints par cette mesure d'économie.

Telles sont, mon cher Sir Evelyn, les considérations que Riaz Pacha me charge de vous soumettre, espérant que vous voudrez bien, à l'occasion, les exposer à Lord Salisbury.

Votre, &c.
(Signé) TIGRANE.

P.S.—Riaz Pacha pense qu'il serait peut-être intéressant pour vous de connaître le contrat passé entre le Ministère de Finances et MM. les Commissaires de la Caisse, ainsi que la correspondance échangée avec eux, ces derniers temps, au sujet de la réduction de leurs traitements. Ce sont ces pièces que vous trouverez ci-incluses.

T.

Inclosure 3 in No. 58.

Agreement.

ENTRE les Soussignés, son Excellence Mohamed Ziki Pacha, Ministre des Finances de Son Altesse le Khédive d'Égypte, agissant en cette qualité au nom du Gouvernement Égyptien, d'une part; et M. le Baron de Richthofen d'autre part:

Ont été faites les conventions suivantes:

Article 1er. Les fonctions de Commissaire-Directeur de la Dette Publique Égyptienne auxquelles M. le Baron de Richthofen a été nommé par Décret du 19 Février, 1885, et en vue desquelles un contrat a été passé précédemment pour une période devant expirer le 2 April, 1890, continueront à être remplis par lui pour une période nouvelle expirant le 31 Décembre, 1890.

Art. 2. M. le Baron de Richthofen recevra pendant toute la durée de ses fonctions un traitement annuel payable par mois, à terme échu, et dont le montant est fixé à 2,700*l.* Ce chiffre sera réduit à 2,000*l.* à partir du 1er Janvier, 1889, sous réserve de l'arrangement diplomatique intervenu à ce sujet.

Art. 3. Si une incapacité de travail, occasionnée par une maladie quelconque, ou si toute autre circonstance de force majeure l'oblige à cesser son service avant le terme fixé au présent contrat, il lui sera alloué une indemnité égale au traitement d'une année. En dehors de ces circonstances il pourra résilier librement ses fonctions à toute époque sans indemnité.

Art. 4. Pareille indemnité d'une année de traitement sera due aux héritiers de M. le Baron de Richthofen dans le cas où il viendrait à décider pendant la période fixée par l'Article 1er fut-ce en temps de congé.

L'indemnité d'une année de traitement stipulée par les deux Articles précédents sera calculée sur le chiffre du traitement dont jouira M. le Baron du Richtofen au moment de l'événement donnant ouverture au droit de réclamer cette indemnité.

Art. 6. M. le Baron de Richthofen aura le droit de prendre chaque année un congé de trois mois sans réduction ni retenue de traitement d'aucune sorte.

Fait en double original au Caire, le 22 Mai, 1887.

Le Ministre des Finances,
(Signé) MOHAMED ZÊKI.
(Signé) BARON RICHTHOFEN.

Inclosure 4 in No. 58.

Riaz Pasha to the Commissioners of the Public Debt.

Le Caire, le 16 *Décembre*, 1888.

MM. les Commissaires-Directeurs de la Caisse de la Dette Publique,

J'AI l'honneur de vous informer que le projet de Budget de la Caisse de la Dette pour 1889, que vous m'avez transmis par votre lettre du 18 Novembre dernier, a été examiné.

Vos propositions en ce qui concerne l'augmentation du personnel et la majoration du chiffre de dépenses de 220*l.* ainsi que celui des frais d'impression de 127*l.* ont été acceptées.

Le chiffre des prévisions pour les traitements des employés a été modifié simplement dans le but de lui faire représenter la moyenne et non le montant des traitements actuellement payés et cela d'après la règle uniforme adoptée pour les budgets de toutes les Administrations qui ont des cadres pour leur personnel.

En outre, et conformément à la décision prise en 1887, de réduire, à partir du 1er Janvier, 1889, à 2,000*l.* les traitements des fonctionnaires qui seraient supérieurs à ce chiffre, le Conseil des Ministres a dû porter sur le Budget de la Caisse à 2,000*l.* seulement au lieu de 2,700*l.* les émoluments de tous les Commissaires.

Cette réduction avec la modification mentionnée plus haut ramène le chiffre total des prévisions de la Caisse pour 1889 à 29,968*l.* au lieu de 33,755*l.* auquel s'élevait le projet de Budget que vous aviez présenté.

Veuillez, &c.
Le Président du Conseil des Ministres,
(Signé) RIAZ.

Inclosure 5 in No. 58.

Riaz Pasha to the Commissioners of the Public Debt.

Le Caire, le 22 *Janvier*, 1889.

MM. les Commissaires-Directeurs de la Caisse de la Dette Publique :

EN réponse à la lettre que vous avez bien voulu m'adresser le 19 de ce mois, j'ai l'honneur de vous informer qu'à la seule exception de M. le Directeur-Général des Douanes, dont le contrat d'engagement ne finira qu'en l'année 1890, tous les traitements des fonctionnaires qui étaient supérieurs à 2,000*l.* ont été réduits à 2,000*l.* à partir du 1er Janvier, 1889. Mr. Caillard a été, en outre, avisé qu'à l'expiration de son contrat en cours, son traitement sera également ramené à 2,000*l.*

Veuillez, &c.
Le Président du Conseil,
(Signé) RIAZ.

Inclosure 6 in No. 58.

M. Zaluski to Riaz Pacha.

Le Caire, le 19 *Février*, 1889.

M. le Président,

VOUS nous avez fait l'honneur de nous informer, par votre lettre en date du 16 Décembre, 1888, qu'à partir du 1er Janvier courant nos traitements devraient être réduits à 2,000*l.*

Cette réduction ayant été subordonnée à certaines conditions dont mention est faite dans nos contrats, nous prions votre Excellence de vouloir bien nous informer aussi si ces conditions ont été strictement remplies.

Nous désirerions en particulier savoir pour quels motifs MM. les Administrateurs des Domaines de l'État et M. le Directeur-Général des Douanes continuent à figurer au Budget de 1889, pour des traitements dépassant 2,000*l.*, et quels sont les arrangements intervenus entre le Gouvernement et MM. les Contrôleurs de la Daïra-Sanieh au sujet de leurs appointements.

Veuillez, &c.
Le Commissaire de Service,
(Signé) ZALUSKI.

Inclosure 7 in No. 58.

M. Barrère to Nubar Pacha.

Le Caire, le 27 *Novembre*, 1885.

M. le Ministre,

EN m'annonçant, il y a quelques mois, l'adjonction à la Commission de la Dette Publique d'un Directeur Allemand et d'un Directeur Russe, vous m'informiez que le traitement de ces deux hauts fonctionnaires avait été fixé à 2,000*l.* En même temps vous exprimiez l'espoir que le Gouvernement de la République ne s'opposerait pas à ce que le traitement du Commissaire Français fût reduit au même chiffre à partir du 1er Janvier, 1886.

La pensée d'économie qui a dicté cette suggestion est des plus judicieuses, et nous nous empresserions d'y souscrire aujourd'hui, si, comme l'ont dit nos Représentants à la Conférence de Londres de 1884, les traitements des fonctionnaires du Gouvernement de Son Altesse, indigènes ou Européens, sans aucune exception, étaient ramenés au chiffre maximum de 2,000*l.*

Je n'ai pas connaissance qu'une telle mesure ait été prise; aussi ai-je le regret d'informer votre Excellence que mon Gouvernement ne saurait adhérer en ce qui le concerne, aux vues du Gouvernement Khédivial, que lorsque les traitements de ses autres fonctionnaires auront astreints à la réforme qu'il propose d'appliquer aux émoluments des Commissaires de la Dette.

Veuillez, &c.
(Signé) CAMILLE BARRÈRE.

Inclosure 8 in No. 58.

Mr. Gibson to Sir E. Baring.

Cairo, February 27, 1889.

Dear Sir Evelyn Baring,

THE documents on which the Commissioners of the Domains base their claim to hold their appointments, under conditions which are equivalent to a formal contract, are the following:—

1. Article 2 of the Mortgage Contract, concluded between Messrs. de Rothschild, of London and Paris, and the Egyptian Government, on the 1st February, 1879.

2. The letters addressed to Messrs. de Rothschild by the Ministers of Foreign Affairs of England and France, in which they communicate the assent of their respective Governments to nominate Commissioners.

I have underlined* the words in Article 2, which seem to me to prove conclusively that the Commissioners are under contract to retain their appointments until the Domains Loan is entirely paid off.

* *Italic* in print.

With regard to the second document, I will now quote from a letter written on the 20th January, 1879, by M. M. Waddinton to Bouteron, which shows that the fact of their consent to the removal of a Commissioner being necessary was, in the opinion of the French Government, equivalent to a formal contract.

After detailing the amount of salary, indemnity, allowance for joining appointment, &c., M. Waddington concludes as follows:—

"On s'est posé la question de savoir si les conditions qui précèdent" (*i.e.*, regarding salary, &c.) "ne devraient pas donner lieu à des contrats directs entre le Gouvernement du Khédive et chacun des Commissaires des Domaines. Le Conseil des Ministres a pensé que cette garantie sera superflue, la position des Commissaires se trouvent sauvegardée par ce fait, qu'ils ne sauraient être relevés de leurs fonctions sans l'assentiment préalable des Gouvernements qui les ont désignés."

The above letter has not been published in any official Report, but it was submitted, with other documents, for the opinion of Messrs. Gilly and Deroche, who have stated that the guarantee that the Commissioners could not be removed without the consent of their respective Governments was equivalent to a formal contract.

I am, &c.
(Signed) J. GIBSON.

Inclosure 9 in No. 58.

ARTICLE 2. Pour donner à l'emprunt plus de garantie, assurer d'une manière efficace le paiement des intérêts, et au besoin l'amortissement du capital;

Dans l'intérêt des contractants susnommés de l'emprunt, et par suite des porteurs des obligations, les biens susmentionnés, qui sont déjà actuellement entre les mains de la Commission des Domaines provisoire, seront livrés à MM. Bouteron, Rowsell, et son Excellence Rustem Pacha, respectivement désignés par les Gouvernements Français, Anglais et Égyptien, *lesquels entreront en possession des dits biens, en vertu des présentes, et les retiendront à titre de gage, en leur qualité de tiers-convenus entre les parties jusqu'à l'acquittement intégral de l'emprunt en principal, intérêts et accessoires.*

Les Commissaires exerceront leurs attributions telles qu'elles ont été définies par les Décrets des 25 Octobre, 1878, et 30 Janvier dernier, et par le Contrat du 31 Octobre. Ils devront se conformer aux clauses et conditions insérées dans les Règlements, qui seront approuvés par le Conseil des Ministres.

Inclosure 10 in No. 58.

Sir J. Pauncefote to Baron de Rothschild.

Ministère des Affaires Étrangères,
le 22 Octobre, 1878.

Monsieur,

JE suis chargé par Lord Salisbury de vous informer que le Ministre des Affaires Étrangères de France, après entente avec la maison de MM. Rothschild, à Paris, a proposé au Gouvernement de Sa Majesté que les terres des Daïras qui ont été récemment cédées par la famille du Vice-Roi, et qui doivent être hypothéquées en garantie du nouvel Emprunt Égyptien, seront gérées par trois personnes, dont un Égyptien, et les deux autres seront nommées, l'une par le Gouvernement Anglais, l'autre par le Gouvernement Français; et que les revenus de ces terres seront perçus, et remis à MM. Rothschild, jusqu'à concurrence de la somme nécessaire pour le service des intérêts et de l'amortissement de l'emprunt. J'ai l'honneur de vous informer que le Gouvernement de Sa Majesté a consenti à cet arrangement.

Le Gouvernement Anglais n'accepte aucune responsabilité relativement au paiement de l'intérêt ou de l'amortissement du dit emprunt. Mais il se charge de la nomination de son Commissaire, afin de fournir aux créanciers l'assurance que le Commissaire désigné par lui ne pourra être relevé de ses fonctions sans son assentiment préalable.

Je suis, &c.
(Signé) JULIAN PAUNCEFOTE.

Inclosure 11 in No. 58.

M. Waddington à M. le Baron Rothschild.

Ministère des Affaires Étrangères, Paris,
le 28 Octobre, 1878.

M. le Baron,

EN vertu de l'entente établie entre le Gouvernement de Sa Majesté Britannique et nous, les domaines dont le Khédive vient de faire abandon, en garantie de l'emprunt qu'il désire contracter, doivent être administrés par une Commission spéciale composée d'un Délégué Français, d'un Anglais, et d'un Égyptien; il a été convenu, en outre, que les deux premiers seraient désignés par leurs Gouvernements respectifs. Cette Commission serait chargée de percevoir les revenus des biens que le Khédive a cédés, et de les remettre à MM. de Rothschild, jusqu'à concurrence de la somme nécessaire pour le service des intérêts et de l'amortissement de l'emprunt dont il s'agit.

J'ai l'honneur de vous faire savoir que l'accord entre le Gouvernement Anglais et nous est complet sur ce point, mais comme lui nous déclinons toute responsabilité relativement au paiement de l'intérêt et de l'amortissement de l'emprunt projeté. Notre seul but est de fournir aux créanciers de l'Égypte l'assurance que le Commissaire désigné par nous ne pourra être relevé de ses fonctions sans notre assentiment préalable.

Recevez, &c.
(Signé) WADDINGTON.

Inclosure 12 in No. 58.

Note relative au Traitement des Commissaires Français et Anglais des Domaines de l'État.

LE Gouvernement Égyptien, ainsi qu'il résulte d'une lettre de son Excellence Riaz Pacha, Président du Conseil des Ministres, en date du 4 Décembre, 1888, a prétendu réduire à 2,000*l.*, à partir du 1er Janvier, 1889, les émoluments des Commissaires Français et Anglais des Domaines de l'État.

Les Commissaires, par leur lettre du même jour, ont refusé d'accepter cette décision, en déclarant qu'à raison de leur qualité de tiers détenteurs des domaines hypothéqués à l'Emprunt Rothschild, leur traitement, comme leur situation même, ne pouvait être modifié que d'accord entre des deux parties desquelles ils tenaient leur mandat.

Nous croyons que les Commissaires apprécient sainement la position et que le Gouvernement ne peut, à lui seul, modifier leur traitement.

C'est ce qui ressort de l'examen des faits, et des circonstances qui ont accompagné la nomination des Commissaires, et de la nature de leurs fonctions:

Lorsque le Khédive Ismaïl, par Décret du 26 Octobre, 1878, déclara au nom des membres de sa famille faire cession à l'État des biens immeubles leur appartenant et désignés au même Décret, c'était pour arriver àgager l'emprunt qu'il projetait, de 8,000,000*l.*

Et c'était pour donner plus de garantie à cet emprunt que le même Décret annonçait l'institution d'une Commission de trois membres, dont un Français et un Anglais, nommés par le Khédive, mais sur la désignation de leur Gouvernement, pour administrer les domaines cédés à l'État.

Cette situation des Commissaires et leur rôle étaient encore plus nettement caractérisés dans le Contrat du 31 Octobre, 1878, passé entre le Gouvernement Égyptien et M. de Rothschild, pour l'émission de l'emprunt.

Il est évident que les Commissaires nommés pour la garantie des tiers devaient avoir leur position assurée vis-à-vis du Gouvernement.

Mais c'est ce qui est mis hors de doute par les lettres officielles qui constatent de quelle manière les Gouvernements de France et d'Angleterre ont accepté d'entrer dans cette combinaison et ont procédé à la désignation des Commissaires que leur demandait le Gouvernement Égyptien.

Les deux Gouvernements, en effet, en informant MM. de Rothschild qu'ils avaient consenti à désigner des Commissaires, prenaient soin de spécifier qu'ils s'étaient chargés de cette nomination, afin de fournir aux créanciers l'assurance que le Commissaire désigné par chacun d'eux ne pourrait être relevé de ses fonctions sans l'assentiment préalable de la Puissance qui l'avait désigné. (Lettres de Sir Julian Pauncefote au Baron de Rothschild, du 22 Octobre, 1878, et de M. Waddington au même, du 28 Octobre, 1878.)

La lettre des Gouvernements Français et Anglais qui, à la même date du 28 Octobre, 1878, notifiait aux Commissaires leur désignation, spécifiait de même qu'ils ne pourraient être relevés de leurs fonctions sans le consentement de leurs Gouvernements respectifs.

Et à la date du 20 Janvier, 1879, M. Waddington écrivant à M. Bouteron pour lui faire connaître les conditions dans lesquelles il était nommé, lui indiquait que le traitement fixé par an pour les Commissaires, suivant la correspondance échangée entre le Gouvernement Égyptien et le Ministre de France au Caire, était de 2,500*l.* Qu'ils toucheraient en outre une année en plus, après cinq années de service; que s'ils quittaient leur service avant ce terme ils auraient droit à une indemnité proportionnelle au temps pendant lequel ils auraient servi, indemnité qui serait basée sur le chiffre de 500*l.* par an, et enfin, qu'une somme une fois payée de 500*l.* leur serait allouée pour frais de voyage et installation.

La même lettre ajoutait ce paragraphe significatif: "On s'est posé la question de savoir si les conditions qui précèdent ne devraient pas donner lieu à des contrats directs entre le Gouvernement du Khédive et chacun des Commissaires des Domaines. Le Conseil des Ministres, après en avoir délibéré, a pensé que cette garantie serait superflue, la position des Commissaires se trouvant sauvegardée par ce fait qu'ils ne sauraient être relevés de leurs fonctions, sans l'assentiment préalable des Gouvernements qui les ont désignés."

Ainsi, il est clair que dans la pensée des Gouvernements qui ont accepté de désigner leurs Commissaires, c'était non seulement leur maintien dans leur charge, mais toutes les conditions dans lesquelles ils étaient nommés, qui étaient sauvegardées par la nécessité de l'assentiment préalable de leurs Gouvernements.

Cette garantie, aux yeux du Gouvernement Français, équivalait pour les Commissaires à un contrat formel.

C'est dans cet état qu'eut lieu le Décret de Nomination du 30 Janvier, 1879, et l'installation des Commissaires du 1er Février même année.

Et en même temps, à la même date du 1er Février, 1879, intervenait le contrat hypothécaire entre le Gouvernement Égyptien et MM. de Rothschild, contrat qui, en outre de l'hypothèque que le Gouvernement avait eu d'abord en vue, concédait aux contractants de l'emprunt un droit de gage immobilier sur les domaines engagés et constituait les Commissaires des Domaines tiers convenus pour la détention du gage. (Article 2 du Contrat du 1er Février, 1879.)

L'Article s'exprime ainsi :—

"Les biens susmentionnés qui sont déjà actuellement entre les mains de la Commission des Domaines, seront livrés à MM. Bouteron, Rowsell, et son Excellence Rustem Pacha, Commissaires désignés, lesquels entreront en possession des dits biens en vertu des présentes et les retiendront à titre de gage en leur qualité de tiers convenus entre les parties jusqu'à l'acquittement intégral de l'emprunt."

MM. Bouteron, Rowsell, et son Excellence Rustem Pacha figuraient à l'acte et déclaraient accepter cette mission.

Ainsi leur situation prenait un caractère tout à fait contractuel pour chacun d'eux personnellement, et la durée de la mission dont ils étaient chargés était nettement déterminée jusqu'à l'acquittement intégral de l'emprunt.

Cet état de choses était si clair que lorsqu'il y a eu lieu de remplacer Mr. Rowsell, décédé, et son Excellence Rustem Pacha, il a fallu non seulement la désignation du Gouvernement Anglais pour Mr. Rowsell, mais une nouvelle intervention de MM. de Rothschild pour donner à Mr. Gibson et à Chekib Pacha la qualité de tiers-convenus.

Rien donc, dans ce qui touche à la situation des Commissaires, ne peut être changé sans l'assentiment des Gouvernements qui les ont nommés et de MM. de Rothschild.

Leur traitement est évidemment couvert par cette garantie. On a vu, en effet, que les Gouvernements Français et Anglais avaient tenu à le faire fixer préalablement entre eux et le Gouvernement Égyptien, et qu'ils entendaient que cette fixation fut considérée comme équivalant à un contrat.

D'ailleurs, il est bien clair que si le Gouvernement Égyptien avait à lui seul le droit de la modifier, il pourrait par là arriver indirectement, mais d'une manière certaine, à révoquer seul les Commissaires et à enlever à MM. de Rothschild les tiers-convenus qui détiennent le gage constitué par l'Acte de 1er Février. Il lui suffirait pour cela d'allouer aux Commissaires un traitement insuffisant.

L'esprit, aussi bien que la lettre, des pieces diplomatiques et des contrats qui ont permis l'émission de l'emprunt, se trouveraient donc ainsi violés.

La suite des faits a-t-elle amené une dérogation quelconque à ces conventions si nettes et si claires?

On invoque un Règlement dressé par le Conseil des Ministres le 7 Avril, 1879, et qui aurait été accepté par les Commissaires des Domaines.

Ce Règlement (Article 4) dit que la Commission des Domaines ne défend que du Conseil des Ministres qui fixe le traitement de chacun de ses membres.

On en infère qu'ainsi le Conseil des Ministres aurait le droit de modifier et de diminuer ce traitement.

Mais il est évident, d'abord, que si tel était le sens de ce Règlement, il n'aurait pas défendu des Commissaires d'engager, en l'acceptant, ni leurs Gouvernements ni MM. de Rothschild.

Ils n'avaient pas mandat, en effet, de diminuer en rien l'irrévocabilité de leurs fonctions, si formellement stipulée par les conventions que nous avons ci-dessus énumérées.

Mais hâtons-nous de dire que tels n'était pas le sens de ce Règlement.

Il signifiait tout simplement que le traitement des Commissaires était fixé sous la forme d'une décision du Conseil des Ministres.

C'est du reste ce qui est démontré jusqu'à l'évidence par les faits qui se sont produits lors de la nomination de Mr. Gibson.

Lorsque les Commissaires ont été en fonctions, ils ont tenu à avoir notification de la décision du Conseil des Ministres qui, en 1878, avait fixé leurs émoluments; c'est ce qui a fait l'objet de la lettre des Commissaires au Président du Conseil des Ministres, du 18 Avril, 1879, et de la réponse du Président du Conseil du 26 du même mois.

Ils voulaient, en effet, outre les assurances qui leur étaient données par leurs Gouvernements respectifs, aussi l'aveu officiel sur ce point du Gouvernement Égyptien lui-même.

Il n'y avait rien là évidemment qui modifiât le caractère contractuel de ces émoluments.

Lorsqu'il s'est agi de remplacer Mr. Rowsell, le traitement de ce dernier a de même fait l'objet d'une entente préalable entre le Gouvernement Égyptien, le Gouvernement Anglais, et MM. de Rothschild; et c'est sur l'insistance du Gouvernement Anglais et de MM. de Rothschild que ces émoluments ont été fixées à 3,000*l.* et non à 2,000*l.*, comme le désirait le Gouvernement Égyptien.

Et nous retrouvons ici d'une part l'entente préalable, d'autre part la forme du Décret de Nomination et de la décision du Conseil des Ministres, prévus au Règlement. Mais il est bien clair que cette décision ne suffisait pas à elle seule; que le Gouvernement Égyptien devait obtenir le consentement du Gouvernement Anglais et de MM. de Rothschild et que cette nécessité a déjà fait échouer une première tentative de réduction du traitement des Commissaires.

Écartons donc l'objection tirée du Règlement.

Mais objectera-t-on encore, les Commissaires ont obtenu du Conseil des Ministres que leur traitement fût porté de 2,500*l.* à 3,000*l.*, le Conseil qui l'a augmenté peut donc aujourd'hui le diminuer

C'est une erreur manifeste: On se souvient que les stipulations mentionnées dans la lettre de M. Waddington du 20 Janvier, 1879, comprenaient outre les appointements de 2,500*l.* par an, une indemnité d'une année de traitement, payable après cinq années de fonctions.

C'est le mode de paiement de cette indemnité qui a été simplement modifié et réparti entre les cinq années.

C'est ce qu'exprime la lettre du Président du Conseil des Ministres du 10 Février, 1881, qui autorise les Commissaires à toucher, sans retenue, une allocation de 500*l.* par an, portant leur traitement à 3,000*l.*, en stipulant qu'ils n'auront droit à aucune indemnité lors de la cessation de leurs fonctions.

Il n'y a donc rien eu de changé au traitement convenu avec les Gouvernements de France et d'Angleterre.

L'objection tirée de la correspondance des Commissaires tombe donc aussi bien que celle tirée du Règlement du 7 Avril.

Dira-t-on que le Gouvernement Français, par sa décision du 8 Février, 1886, qui admettait la réduction à 2,000*l.* des traitements supérieurs à ce chiffre, a implicitement consenti à réduire aussi le traitement de son Commissaire des Domaines?

Il suffit de répondre que le Gouvernement Français exceptait lui-même les Ministres et les fonctionnaires dont les contrats n'étaient pas expirés.

Or, nous croyons avoir démontré que les Commissaires des Domaines ont un

véritable contrat, comme il résulte de la lettre de M. Waddington du 20 Janvier, 1879, et que la durée de ce contrat, apperte la constitution du gage du 1er Février, 1879, va jusqu'au paiement intégral de l'emprunt en capital, intérêts, et frais.

Le caractère contractuel et irrévocable du traitement des deux Commissaires Français et Anglais, reste ainsi complètement établi, et le concours des parties qui l'ont fixé reste nécessaire pour le modifier.

Les Gouvernements Français et Anglais, chacun pour le Commissaire nommé par eux, et dont ils ont garanti l'irrévocabilité, MM. de Rothschild, dont le consentement est nécessaire pour la désignation des tiers-convenus, doivent donc donner leur assentiment à toute modification que l'on voudrait apporter à ce traitement, et c'est à bon droit que les Commissaires ne reconnaissent pas au Gouvernement Égyptien le pouvoir de prendre à lui seul des décisions à cet égard.

(Signé) A. GILLY, *Ancien Bâtonier, Membre du Conseil de l'Ordre.*
J. ATHANASAKI, *Membre du Conseil de l'Ordre*
DEROCHE, A., *Avocat.*

Caire, le 28 *Décembre*, 1888.

Inclosure 13 in No. 58.

Opinion officieuse de M. Ch rles de Rocca Serra.

LES appointements du tiers-détenteur, c'est-à-dire de celui qui est chargé de détenir le gage pour compte commun, doivent être fixés du commun accord des intéressés et, par conséquent, ils peuvent être réduits d'un commun consentement.

Les parties, ici, sont: d'une part, le Gouvernement Égyptien, de l'autre les porteurs représentés en ce qui concerne la désignation des tiers-convenus, par les Gouvernements Anglais et Français. Du moment que le Gouvernement Égyptien a obtenu l'adhésion des dits Gouvernements, la réduction devient absolument légale. Il reste vrai que les tiers-détenteurs ont toujours le droit, si les conditions qui leur sont faites ne leur paraissent pas acceptables, de résigner leur mandat, auquel cas il appartiendrait aux Gouvernements Français et Anglais de désigner leurs successeurs.

Inclosure 14 in No. 58.

Nubar Pasha to M. Bouteron.

Le Caire, le 30 *Octobre*, 1886.

M. le Président de l'Administration des Domaines de l'État,

J'AI l'honneur, sur votre demande, de préciser la portée de la lettre qui vous a été écrite le 27 Juin, 1886.

Il demeure entendu que le Commissaire obligé de quitter son service, par une circonstance de force majeure ou une incapacité de travail occasionnée par une maladie, a droit à une indemnité de 2,500*l.* nette de toute retenue ou reprise. Pareille somme est due aux heritiers du Commissaire qui viendrait à mourir fût-ce en emps de congé.

Veuillez, &c.
(Signé) N. NUBAR.

No. 59.

Foreign Office to War Office.

Foreign Office, April 6, 1889.

Sir,

WITH reference to your letter of the 26th ultimo, and to previous correspondence respecting the extra cost thrown on army funds by the maintenance of the British Army of Occupation in Egypt, the amount of which is annually claimed from the Egyptian Government, I am directed by the Marquis of Salisbury to transmit to you herewith, to be laid before Her Majesty's Secretary of State for War, a copy of a

despatch from Her Majesty's Agent and Consul-General in Egypt,* suggesting that a small Committee should be appointed to thoroughly investigate the whole question.

I am to add that Lord Salisbury has recommended this proposal to the favourable consideration of the Lords Commissioners of Her Majesty's Treasury.

I am, &c.
(Signed) P. CURRIE.

No. 60.

Sir E. Baring to the Marquis of Salisbury.—(Received April 8.)

(No. 161.)

Cairo, March 26, 1889.

My Lord,

I HAVE the honour to transmit herewith copy of a Report on the reduction of the corvée in 1888 by the Minister of Public Works.

Your Lordship will see from this Report that the number of men employed for 100 days in corvée labour, which amounted to 202,650 in 1883, and was reduced to 87,120 in 1887, owing to the allocation of an annual sum of £ E. 250,000 for this purpose, amounted to only 58,788 in 1888. This extremely satisfactory result is due to the newly-introduced system of allowing all the "corvéables" in certain districts to exempt themselves from the obligation to serve when called up, on payment of a small fixed sum of money.

This system has already been explained to your Lordship in the inclosure to my despatch No. 115 of the 18th February. It will be extended in the present year, and it is confidently anticipated that it will ultimately lead to the total extinction of the corvée.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 60.

Extract from the "Journal Officiel" of March 25, 1889.

MINISTÈRE DES TRAVAUX PUBLICS.

Rapport présenté à Son Altesse le Khédive par Son Excellence le Ministre des Travaux Publics.

Monseigneur,

CONFORMÉMENT aux dispositions du deuxième paragraphe de l'Article 4 du Décret du 2 Avril, 1888, j'ai l'honneur de soumettre à votre Altesse un Rapport sur la réduction de la corvée en 1888.

Dans le cours de cette année, toute la population corvéable a été, pour la première fois, admise à s'exonérer, par le rachat en espèces, des travaux de la corvée dans les provinces de Charkieh, Menoufieh, Garbieh (à l'exception des trois districts de Zifta, Gaafarieh, et Mehallah), Giseh, Beni-Souef, Minieh, et Assiout.

Les Ordres autorisant cette admission ont été cependant donnés assez tardivement et ce n'est qu'au mois de Février, alors que les travaux de la corvée avaient été effectivement entrepris dans quelques provinces, que cette mesure a commencé à produire son effet.

Le Tableau ci-joint montre le grand succès dont elle a été l'objet; dans la Charkieh, la Menoufieh et les districts choisis de Garbieh, le travail forcé n'a pas été employé, et il a cessé très promptement dans la province d'Assiout. Dans celle de Minieh et de Beni-Souef, où les Moudirs semblent n'avoir pu agir faute d'information suffisantes quant au nombre des corvéables, l'admission au rachat a été presque sans effet; à Giseh, elle a réussi, mais partiellement. La principale difficulté provient sans doute du manque de renseignements exacts sur le nombre et les noms des corvéables dans chaque village; mais j'espère que ces renseignements seront obtenus dans le courant de l'année actuelle.

Les taux du rachat de la prestation sont fixés d'une manière générale à P. E. 40 pour la Basse-Égypte et pour les villages irrigués par le Canal Ibrahimieh; à P. E. 30 pour les autres parties de la Haute-Égypte, et à P. E. 20 pour les rizières.

* No. 37.

Ces prix ne représentent pas la valeur de plus de dix à quinze journées de travail, de sorte que, pour avoir l'équivalent de 100 jours de corvée, il faudrait recueillir le rachat en espèces de sept à dix hommes et, pour abolir complètement la corvée, nous aurions besoin d'avoir le montant du rachat de 600,000 hommes environ.

La population corvéable est probablement au-dessus de ce chiffre, et il y a tout lieu d'attendre que le travail forcé cessera complètement le jour où le Rayah Tewfikieh sera ouvert, et où les provinces de l'est prendront leurs eaux en amont du Barrage.

Ainsi que l'indique le Tableau ci-annexé, le nombre de bras employés pendant 100 jours à la corvée, en 1883, a été de 202,650; en 1887, ce nombre c'est trouvé réduit à 87,120, grâce au crédit de £ E. 250,000, et en 1888, il n'était plus que de 58,788, soit 29 pour cent de ce qu'il était en 1883.

En 1887, sur un total de 19,933,289 mètres cubes de terrassement, il en a été exécuté sans rétribution 10,174,263, c'est-à-dire de 53 pour cent. En 1888, sur un total de 24,738,823 mètres cubes, il n'y en a eu que 8,893,300, soit 36 pour cent, qui n'ont pas été payés.

La somme recueillie pour rachat de la prestation dans la Province de Dakahlieh n'est autre que celle payée par l'Administration des Domaines de l'État pour l'exonération de ses hommes dans toute la province. A la demande de cette Administration, la somme précitée a été dépensée, l'année dernière, dans la Province de Dakahlieh.

Dans les Provinces de Keneh et d'Esneh, de 19,148 qu'il était en 1887, le nombre de bras employés à la corvée a été réduit en 1888 à 13,740. Le montant du travail payé s'est élevé, pendant le même temps, de 1,058,810 mètres cubes, soit £ E. 17,963 à 2,073,561 mètres cubes, soit £ E. 27,461, c'est-à-dire qu'il a été dépensé près de £ E. 10,000 de plus dans ces pauvres provinces.

Dans le Béhéra, une somme de £ E. 6,751 a été dépensée pour construction de barrages provisoires dans la branche de Rosette. Ces ouvrages ne seront plus nécessaires quand le grand barrage sera complètement restauré et que le Rayah de Béhéra sera mis en état de fonctionner.

J'ai, &c.
(Signé) MOHAMED ZÉKI.

Le Caire, le 20 *Mars*, 1889.

Mudiriehs.	Number of Corvée for 100 days.	Number who ransomed themselves.	Number of Corvée employed in 1883 100 days.	Work done by Corvée.	Work done by Contract Corvée Relief.	Work done Contract Ransom by Corvée	Total Work done by Contract.	Total Work done Corvée Contract.	Sum spent of Corvée Relief.	Sum of Corvée Ransom.	Total Spent.
				Cubic metres.	Cubic metres.	Cubic metres.	Cubic metres.	Cubic metres.	£ E.	£ E.	£ E.
Kaliubieh	1,538	..	7,621	204,919	445,764	..	445,764	650,683	15,587	..	15,587
Sharkieh	..	29,986	18,238	..	643,502	579,598	1,223,100	1,223,100	23,812	11,964	35,776
Dakahlieh	6,633	28,950	20,605	968,733	941,804	339,592	1,281,396	2,250,129	20,805	8,685	29,490
Menoufieh	..	51,337	26,887	..	447,192	875,987	1,323,179	1,323,179	13,478	11,970	25,448
Gharbieh	2,804	19,328	25,093	270,537	1,638,651	810,535	2,449,186	2,719,723	30,566	13,952	44,518
Behera	3,508	192	8,172	354,072	664,086	1,500	665,586	1,019,658	20,826	77	20,903
Gisch	1,538	21,667	5,929	290,546	690,715	478,579	1,169,294	1,459,840	37,464	6,484	43,948
Fayoum	1,807	..	6,255	226,643	462,293	..	462,293	688,936	7,244	..	7,244
Beni-Souef	3,397	..	8,217	649,256	520,390	..	520,390	1,169,646	8,095	..	8,095
Minieh	5,567	3,766	11,898	1,163,160	806,618	115,814	922,432	2,085,592	11,102	1,129	12,231
Assiout	4,636	59,038	25,668	1,119,617	1,015,571	1,190,324	2,205,895	3,325,512	15,704	17,711	33,415
Girgeh	13,620	..	15,366	1,973,555	1,103,447	..	1,103,447	3,077,002	15,636	..	15,636
Keneh et Esneh	13,740	..	22,601	1,672,262	2,073,561	..	2,073,561	3,745,823	27,461	..	27,461
Total	58,788	214,264	202,650	8,893,300	11,453 594	4,391,929	15,845,523	24,738,823	247,780	71,972	319,752

No. 61.

Sir E. Baring to the Marquis of Salisbury.—(Received April 8.)

(No. 165. Confidential.)

Cairo, March 29, 1889.

My Lord,

IN continuation of my despatch No. 115 of the 18th February I have the honour to transmit copy of a note by Sir Edgar Vincent upon the Budget of 1889. Your Lordship will observe that the Domains and Daïra deficits, estimated in the Budget at £ E. 275,000, will amount approximately to £ E. 160,000. The produce of the tax on native tobacco will also considerably exceed what was expected. On the other hand, the customs revenue shows signs of decrease, and will probably fall short of the estimate.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 61.

Memorandum.

(Confidential.)

THE accounts of the Domains and Daïra Sanieh for 1888 are now practically closed. The total amount payable by the Government which will fall upon the expenditure of 1889 will amount approximately to £ E. 160,000. This sum compares with a Budget estimate of £ E. 275,000. There will, therefore, be an economy of £ E. 115,000, which will raise the estimated surplus on the general account of the year from £ E. 8,000 to £ E. 123,000.

The produce of the tax on native tobacco was estimated in the Budget at £ E. 11,000, but the amount of land cultivated has far exceeded expectation, and this tax will probably give a revenue of £ E. 100,000.

On the other hand, the revenue from general imports shows signs of decrease. When the Budget was framed it was hoped that the difficulties with the Porte concerning the "raftieh" question would shortly be brought to a satisfactory termination, but no progress has yet been made.

Egyptian trade is so much hampered by the Regulations at present in force that I fear we cannot expect an improvement in the general trade sufficient to bring the customs revenue up to the Budget estimate. The increase in the tobacco revenue will, therefore, be required to meet the anticipated deficiency in the Customs.

(Signed) EDGAR VINCENT.

March 26, 1889.

No. 62.

Sir E. Baring to the Marquis of Salisbury.—(Received April 8.)

(No. 166.)

Cairo, March 29, 1889.

My Lord,

IN my despatch No. 152 of the 6th April, 1888, I had the honour to forward to your Lordship copy of a Khedivial Decree which had been issued with the assent of the Powers regarding the augmentation of the Egyptian administrative expenses by the sum of £ E. 250,000, which was to be devoted to the diminution of the corvée.

In accordance with the 4th paragraph of the first Article of this Decree, this sum was to be devoted exclusively to works at that time performed by means of the corvée.

I have now the honour to inclose copy of a Circular note which has been sent to the Representatives of the Signatory Powers by the Egyptian Minister for Foreign Affairs, pointing out that, by the wording of the Decree of the 2nd April, 1888, a certain class of works of improvement, which are of the utmost importance for the improvement of the irrigation system of the country, and of which the economical advantages admit of no doubt, are excluded from the category of improvements which can be paid for by this sum of £ E. 250,000. Of this class are all masonry buildings required for irrigation purposes, such as dyke-gates, weirs, and "barrages," &c., which, being works requiring for their construction a certain amount of technical

knowledge on the part of the workmen, could never have come under the definition of "travaux actuellement faits au moyen de la corvée."

The advantages of works of this sort over those which were executed by the corvée can in many cases be easily demonstrated; and the object of the present Circular note of the Egyptian Government is to emphasize this point, and to ask for the assent of the Signatory Powers to additions to Articles 1 and 4 of the Decree, as marked in the inclosed copy, which would allow the works described as "travaux d'art ou de maçonnerie," to be included among those which can be paid for out of the £ E. 250,000.

Zulfikar Pasha adds that the proposed modification has already received the approbation of the Commissioners of the Caisse, and I venture to recommend to your Lordship that, should Her Majesty's Government see no objection, I may be authorized to convey to him their assent.

I have, &c.
(Signed) E. BARING.

Inclosure 1 in No. 62.

Zulfikar Pacha à Sir E. Baring.

(Circulaire.)

Le Caire, le 28 *Mars*, 1889.

M. le Ministre,

PAR dépêche en date du 17 Octobre, 1887, ce Département avait l'honneur de s'adresser à votre Agence pour obtenir du Gouvernement de Sa Majesté son adhésion à la promulgation du Décret relatif à l'affectation d'une somme de £ E. 250,000 à la suppression partielle de la corvée, avec une modification apportée au texte primitif du projet et spécifiant que "ces crédits devraient être exclusivement affectés à des travaux actuellement faits au moyen de la corvée." De sorte que des travaux qui ont un intérêt de premier ordre pour la sécurité des cultures et qui, par le fait, concourent directement à l'abolition de la corvée, ne peuvent être imputés sur ce crédit et sont le plus souvent ajournés.

En d'autres termes, le crédit de £ E. 250,000 ne peut être employé qu'à des travaux de réparation des digues, à l'élargissement et à l'approfondissement de canaux et rigoles, mais non pas à la construction de nouveaux canaux ni à des travaux d'art on de maçonnerie qui diminuent la corvée dans des proportions bien plus notables.

L'eau peut être amenée dans un Canal, soit par l'approfondissement du lit, soit par l'établissement d'un barrage, soit par des prises d'un niveau plus élevé. Or, aux termes du Décret, le seul de ces travaux dont la défense est imputable au crédit pour la corvée consiste dans l'approfondissement du lit, travail qui rentre dans la catégorie de ceux pour laquelle la corvée est appelée; tandis que s'il s'agit d'arriver à une amélioration de l'irrigation par la construction d'ouvrages spéciaux qui se substituent en fait et avec avantage aux travaux de la corvée, la législation actuelle s'oppose à l'emploi dans ce but des fonds réservés à l'abolition partielle de la corvée. Ce n'est qu'au prix des plus grands efforts et souvent au détriment des travaux dont la nécessité avait été reconnue, que le Minnistère des Travaux Publics a pu quelquefois prélever sur ces crédits ordinaires une dépense qu'il considérait comme éminemment avantageuse pour l'agriculture. Mais, dans la plupart des cas, il se voit obligé de s'arrêter dans cette voie malgré l'intérêt évident qu'il y aurait à substituer aux travaux de la corvée des travaux d'art appelés à donner des résultats bien plus profitables.

Ainsi, les canaux de Sahel et Ataf, dans les Provinces de Menoufieh et Gharbieh, nécessitaient un curage coûtant annuellement 15,000*l.*

L'ouverture d'un canal de jonction amenant l'eau d'un point plus élevé et coûtant 10,750*l.* a eu pour conséquence de réduire la dépense annuelle de curage à 2,625*l.*

Le curage des canaux Nazar et Nanayah, dans la Province de Menoufieh, coûtait annuellement 13,800*l.* La construction d'un nouveau canal et de certains ouvrages de maçonnerie, dont la dépense totale s'est élevée à 13,000*l.*, a eu pour effet d'abaisser les frais de curage à 6,300*l.*

Dans la Haute-Égypte on dépense, tous les ans, des sommes considérables pour la séparation des digues des grands bassins dont l'ouverture et la fermeture ont lieu pendant les hautes eaux. Ces dépenses pourraient être évitées, une fois pour toutes, en affectant une somme relativement minime à la construction d'écluses et à l'empierrement des digues.

Ces exemples, parmi tant d'autres, démontrent combien il serait opportun de donner une interprétation moins restreinte aux termes du Décret visant le système d'emploi des crédits pour la corvée.

Ce but serait atteint par la rédaction nouvelle suivante de l'avant-dernier alinéa de l'Article 1er du Décret :—

"Ces crédits devront être exclusivement affectés à des travaux actuellement faits au moyen de la corvée, ou à des travaux d'art ou de maçonnerie devant avoir pour conséquence une réduction de la corvée."

Les garanties pour l'emploi et la répartition du crédit affecté seraient données par l'addition, au deuxième alinéa de l'Article 4, du paragraphe ci-après :—

"Les réductions obtenues par les travaux d'art ou de maçonnerie mentionnés à l'Article 1er, soit dans l'année de leur exécution, soit dans les années subséquentes, seront indiquées séparément pour chaque travail dans le dit Rapport."

J'ai, en conséquence, recours à vos bons offices, M. le Ministre, pour présenter au bienveillant examen du Cabinet de Londres ces modifications, qui ont déjà reçu l'approbation de MM. les Commissaires de la Caisse de la Dette Publique, et j'ose exprimer l'espoir que le Gouvernement de Sa Majesté voudra bien donner cette nouvelle preuve de son bon vouloir à l'égard de l'Égypte en accordant son adhésion à une proposition qui n'a en vue que les intérêts du pays.

Veuillez, &c.
(Signé) ZULFIKAR.

Inclosure 2 in No. 62.

Décret du 2 Avril, 1888, concernant la Corvée, et portant Modification de la Somme affectée aux Dépenses administratives annuelles du Gouvernement.

NOUS, Khédive d'Égypte,

Considérant qu'il importe à la prospérité agricole de l'Égypte que la charge de la corvée soit réduite dans les plus strictes limites ;

Considérant qu'il y a lieu en même temps de ne plus laisser aucune recette et aucune dépense hors Budget et qu'en conséquence notre Gouvernement devra notamment faire figurer dans les rentrées budgétaires, à partir de 1887, les produits du rachat des prestations, ainsi que toutes les recettes de quelque nature qu'elles soient qui pourraient être créées à l'avenir et devra porter leur emploi en dépenses ;

Sur la proposition de notre Conseil des Ministres ;

Avons Décrété et Décrétons (avec l'assentiment des Puissances) :

Article 1er. A partir de 1887, la somme de £E. 5,237,000, à laquelle ont été arrêtées les dépenses administratives annuelles du Gouvernement, aux termes de l'Article 18 de notre Décret du 27 Juillet, 1885, pourra être augmentée dans les conditions ci-après déterminées :—

1. Du produit du rachat des prestations effectué dans le cours de l'année précédente conformément à notre Décret du 25 Janvier, 1881.

2. D'une somme de £E. 250,000.

Ces crédits devront être exclusivement affectés à des travaux actuellement faits au moyen de la corvée, ou à des travaux d'art ou de maçonnerie devant avoir pour conséquence une réduction de la corvée.

Ces augmentations devront élever d'une somme égale dans les Budgets ultérieurs les crédits ouverts par le Budget de 1887 au Ministère des Travaux Publics.

Art. 2. La Caisse de la Dette aura le droit de vérifier l'emploi régulier de tous les crédits ouverts au Ministère des Travaux Publics.

En ce qui concerne les crédits du budget ordinaire des Travaux Publics, crédits évalués à £E. 464,623, la preuve de leur emploi régulier résultera pour la Caisse de la Dette de la production d'un État dressé par chapitres et sous-chapitres par le Ministère des Finances, et constatant que ces crédits ont été intégralement consacrés au paiement de dépenses de travaux publics.

Pour les crédits venant en augmentation de la somme de £E. 5,237,000, c'est-à-dire pour le crédit de £E. 250,000 et pour celui qui sera ouvert dans la limite du produit du rachat des prestations, leur emploi régulier sera prouvé par la production à la Caisse de la Dette des pièces comptables justifiant les dépenses qui auront été faites.

Art. 3. Si les crédits du budget ordinaire des Travaux Publics venaient à être inférieurs à £E. 464,623, ou si cette somme n'était pas intégralement dépensée, l'augmentation des dépenses administratives autorisée par le présent Décret serait

réduite d'une somme égale soit à la diminution des crédits, soit au montant des crédits non employés.

Art. 4. L'emploi et la répartition entre les diverses Moudiriehs de la somme ci-dessus énoncée de £E. 250,000 seront déterminés chaque année par Décret. La répartition en sera faite équitablement entre toutes les provinces affectées ou non affectées, la Commission de la Dette préalablement consultée.

Si, au cours de l'année, la nécessité de travaux imprévus venait à se produire, une nouvelle répartition pourra être faite par le Ministère des Travaux Publics qui en avisera la Caisse de la Dette. Notre Ministre des Travaux Publics nous adressera, à la fin de chaque année, un Rapport qui sera publié dans le "Journal Officiel," et dans lequel il nous rendra compte du nombre des journées de corvée qui auront été réellement demandées à la population, et des réductions dont il aura pu lui procurer le bénéficé sur la meyenne qui lui avait été imposée dans les quatre dernières années, d'après l'État publié par le "Journal Officiel" du 30 Juin, 1886.*

Art. 5. Les dépenses administratives autorisées par le Décret du 27 Juillet, 1885, pourront également être augmentées des sommes nécessaires à l'exploitation des mines de pétrole, sans toutefois que cette augmentation puisse dépasser la somme de £E. 40,000 en 1887, et, dans les années ultérieures, le produit de l'exploitation de ces mines.

Art. 6. Nos Ministres des Finances et des Travaux Publics sont chargés, chacun en ce qui le concerne, de l'exécution du présent Décret.

Fait au Palais d'Abdine, le 2 Avril, 1888 (20 Regeb, 1305).
(Signé) MÉHÉMET TEWFIK.

Par le Khédive :
Le Président du Conseil des Ministres,
(Signé) N. NUBAR.

Le Ministre des Finances,
(Signé) MOHAMED ZÉKI.

Le Ministre des Travaux Publics,
(Signé) A. ROUCHDY.

No. 63.

Sir E. Baring to the Marquis of Salisbury.—(Received April 8.)

(No. 168.)

Cairo, March 31, 1889.

My Lord.

I HAVE the honour to transmit an extract from the "Official Journal," stating that the Egyptian Government reserve their right to pay off the Privileged Debt at par.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 63.

Extract from the "Journal Officiel" of March 30, 1889.

MINISTÈRE DES FINANCES.

LE Ministre des Finances porte à la connaissance du public que le Gouvernement Égyptien maintient son droit absolu de rembourser les obligations de la Dette Privilégiée au pair, et qu'il se réserve d'user de ce droit, avec l'assentiment des Puissances à l'époque qui lui paraîtra convenable.

Le Caire, le 30 *Mars*, 1889.

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* Les réductions obtenues par les travaux d'art ou de maçonnerie mentionnés à l'Article 1er, soit dans l'année de leur exécution, soit dans les années subséquentes, seront indiquées séparément pour chaque travail, dans le dit Rapport.

No. 64.

Foreign Office to Treasury.

Sir, *Foreign Office, April* 8, 1889.

I AM directed by the Marquis of Salisbury to transmit to you herewith, to be laid before the Lords Commissioners of Her Majesty's Treasury, copies of correspondence, as marked in the margin,* on the subject of the extra cost thrown on army funds by the maintenance of the British Army of Occupation in Egypt, the amount of which is annually claimed from the Egyptian Government.

In his despatch No. 150 of the 16th instant, Sir E. Baring expresses the opinion that it is desirable that the Egyptian authorities should be satisfied that they are only called upon to pay the actual extra expenses incurred by reason of the presence of the Army of Occupation in Egypt, and that they should also be convinced that no further economies in the administration of that force can reasonably be made.

With this object he recommends that a small Commission should be appointed to go thoroughly into the whole question, and to report—

1. Whether the division of charge between this country and Egypt is in strict conformity with the principle laid down by Her Majesty's Government, that only the extra expenses should be borne by Egypt; and

2. Whether, by more economical administration, both the English and Egyptian Treasuries can be relieved of some of the charges now thrown upon them.

I am to state that Lord Salisbury is desirous of recommending this proposal to the favourable consideration of the Lords of the Treasury.

I am, &c.
(Signed) P. CURRIE.

No. 65.

Treasury to Foreign Office.—(Received April 10.)

Sir, *Treasury Chambers, April* 9, 1889.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to request you to inform the Marquis of Salisbury that upon receipt of your letter of the 29th ultimo the Chancellor of the Exchequer communicated with the Governor of the Bank of England, expressing the hopes of Her Majesty's Government that the Bank would accede to the request of the Egyptian Caisse de la Dette that they should undertake the payment of the Egyptian coupons.

The Governor replied that the Bank had already taken this course, and my Lords have now only to express their satisfaction that the wishes of the Egyptian Government have been so promptly carried into effect.

I am, &c.
(Signed) R. E. WELBY.

No. 66.

The Marquis of Salisbury to Sir E. Baring.

(No. 133.)

Sir, *Foreign Office, April* 12, 1889.

I HAVE received your despatch No. 166 of the 29th ultimo, and, in reply, I have to state that Her Majesty's Government are ready to assent to the proposed additions to Articles 1 and 4 of the Khedivial Decree of the 2nd April, 1888, relating to the diminution of the corvée and the augmentation of the Egyptian Administrative expenses by a sum of £ E. 250,000 with that object.

I am, &c.
(Signed) SALISBURY.

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* Sir E. Baring, No. 368, November 27; War Office, December 22; to Sir E. Baring, No. 252, December 28, 1888; and Nos. 20, 21, 22, 32, 40, and 57.

No. 67.

Foreign Office to Messrs. Rothschild and Sons.

Gentlemen, *Foreign Office, April* 12, 1889.

IN December last you forwarded to this Office copies of a correspondence between the Egyptian Government and the Commissioners of the State Domains relative to the notice given to the latter that their salaries would be reduced to £ E. 2,000 a-year from the 1st January, 1889, and you expressed a wish to learn the views of Her Majesty's Government in regard to the right claimed by the Egyptian Government to effect such a reduction by a Khedivial Decree without having first obtained the formal assent of your firm.

Lord Salisbury has, in consultation with Her Majesty's Agent and Consul-General in Egypt, carefully considered the questions raised by the Commissioners of the Domains, and I am now to inform you that Her Majesty's Government, in view of the arrangement come to in 1886 for the eventual reduction to £ E. 2,000 a-year of all salaries of Egyptian officials exceeding that figure, feel that they would not be justified in claiming exceptional treatment for the Domains Commissioner nominated by them.

It is understood that the matter in dispute may not improbably come before the Egyptian Law Courts.

Her Majesty's Government see no objection to the question being so dealt with, and, as at present advised, they do not propose to take any action.

I am, &c.
(Signed) P. CURRIE.

No. 68.

Sir E. Baring to the Marquis of Salisbury.—(Received April 13.)

(No. 169. Confidential.)

My Lord, *Cairo, April* 3, 1889.

IN my despatch No. 153 of the 18th ultimo I informed your Lordship that the place on the Railway Board left vacant by the departure of M. Timmermann was about to be offered to M. Rousseau. I have now the honour to inform your Lordship that M. Rousseau has declined to accept the appointment. The Egyptian Government, therefore, decided to accept the nomination made by the French Government. The choice of the French Government has fallen on a M. Prompt, a railway official in France. For the reasons which I have already stated in my former despatches on this subject, the Egyptian Government would have greatly preferred to have named some one who already had Egyptian experience. By the nomination of M. Barois, which, as I informed your Lordship in my despatch No. 128 of the 28th February, is the course which the Egyptian Government would have preferred, they would further have had the advantage of realizing a considerable economy. On the whole, however, they preferred to adopt the more conciliatory policy of meeting the French wishes.

I regret, however, to inform your Lordship that, with the acceptance of M. Prompt's nomination, the difficulties in connection with this subject are not at an end. The Egyptian Government wish to fix M. Prompt's salary at 1,800*l.* a-year, being 200*l.* a-year less than the salary enjoyed by Mr. Halton, an Englishman, who is President of the Board, but 300*l.* a-year more than the salary of Yacoub Pasha Artin, who is the Egyptian member of the Board.

The difference of 200*l.* between the English and French members is not very considerable. Nevertheless, the point is one which appears likely to give rise to a good deal of trouble.

The facts of the case are as follows.

When the Railway Board was first constituted by the Decree of the 18th November, 1876, it consisted of five persons. Article 23 of the Decree laid down that of these five persons two should be English, one French, and two natives. One of the Englishmen was to be President of the Board. The salary of the English President was fixed at 3,000*l.* a-year, together with a right to an indemnity of one year's pay at the end of five years' service, thus making the salary really equivalent to 3,600*l.* a-year. The salary of the English and French members was fixed at 2,500*l.* a-year, also with an indemnity of one year's pay at the end of five years' service, making the salary really equivalent to 3,000*l.* a-year.

Matters remained unchanged until about three years subsequently, when General Marriott, the President of the Railway Board, died. It was then thought, and no

doubt with good reason, that a Board of three, instead of five, persons was quite sufficient to carry on the work. Mr. Le Mesurier, heretofore the second English member of the Board, took General Marriott's place as President; no Englishman was named to replace Mr. Le Mesurier; at the same time, one of the native members was removed from the Board. It will be seen, therefore, that by this change the English and Egyptians lost their predominant position, and save for the fact that the Englishman was the President, they were placed on an equality with the French. A very considerable concession was therefore made to French interests.

Mr. le Mesurier succeeded to General Marriott's salary of 3,600*l.* a-year. The salary of the French member of the Board remained at 3,000*l.* a-year.

Matters remained thus until in 1886, as your Lordship will remember, a general arrangement was made for the reduction of the salaries of high officials to a maximum of 2,000*l.* a-year. In the beginning of 1887 Mr. le Mesurier quitted the Egyptian service. Almost simultaneously with his departure M. Timmermann's contract, which was for five years, expired. Mr. Halton, who had until then been Director-General of the Post Office, was appointed to Mr. Le Mesurier's place on a salary of 2,000*l.* a-year without any indemnity. The question then arose as to the amount at which M. Timmermann's salary should be fixed. It was thought that, inasmuch as the President received 2,000*l.* a-year, the salaries of the members should amount to less than this sum. At the time, 1,500*l.* a-year was mentioned as an adequate salary for M. Timmermann. Count d'Aunay, however, took the matter up and urged that M. Timmermann's salary should be fixed at 2,000*l.* a-year. I well remember having several conversations with him on the subject. I did not understand that he denied the right of the Government to reduce the salary below 2,000*l.* a-year, but he urged that, inasmuch as M. Timmermann had for some years been in receipt of 3,000*l.*, it would be very hard on him to reduce his salary by so large an amount as 50 per cent., and that therefore, so long as M. Timmermann remained in office, the salary of the post should be fixed at 2,000*l.* a-year.

It was thought that there was some force in this argument. It was therefore decided to fix M. Timmermann's salary at 2,000*l.* a-year, and to postpone any further reduction until M. Timmermann left the Egyptian service.

A letter, of which I have the honour to inclose a copy, was accordingly addressed by the Public Works Department to the Railway Board on the 27th April, 1887. After stating that M. Timmermann's salary would be fixed at 2,000*l.*, this letter continues as follows:—

"Cette décision, prise en considération des longs services de M. Timmermann, lui est toute personnelle, et ne modifie en aucune manière pour l'avenir l'intention du Gouvernement de réduire le traitement du fonctionnaire qui succéderait éventuellement au poste occupé aujourd'hui par M. Timmermann."

In spite of this letter, however, Count d'Aubigny now claims that M. Prompt's salary should be fixed at 2,000*l.* a-year. It can scarcely be doubted that an efficient Frenchman could be found for a salary of 1,500*l.* a-year to take over M. Timmermann's duties. The Egyptian Government, however, in order to go as far as possible in the direction of meeting the French wishes, are willing to give as much as 1,800*l.* a-year, neither do they attach any great importance to the small economy of 200*l.* a-year. But they wish to assert the principle that they have a right to reduce the salary. Further, a good deal of irritation has been caused by the frequent obstacles placed in the way of the Egyptian Government by the French Government in small matters of this sort. Riaz Pasha has pointed out to me that, as in the case of the Procureur-Général (see my despatch No. 20 of the 7th January), it seems almost impossible to bind the French Government to any written engagement. He has therefore earnestly begged for the support of Her Majesty's Government, as he considers that it is necessary to make a stand against the constant encroachments of the French Government.

Count d'Aubigny has not spoken to me on the subject, but I understand that he is a good deal irritated, and that his determination not to yield the point is much influenced by the fact that he has been attacked in various quarters for yielding so much about the Mixed Tribunals. I understand that he says that until this matter is satisfactorily settled the French Government will oppose all the proposals of the Egyptian Government on other matters. M. le Chevalier, the French Commissioner of the Debt, has received instructions to shape his conduct accordingly, and Count d'Aubigny has himself declined to be present at a meeting which is to take place to-day with Riaz Pasha on the subject of the creation of a Municipality at Alexandria.

I may mention that, from the English point of view, it is of some little importance to maintain the privileged position occupied by the English Representative on the Railway Board. Considerable concessions have been made to the French since the Board was first instituted, and if we were now to agree to the salaries of the English President and French member being absolutely identical we should go far to admit a perfect equality of position which it is not altogether desirable to recognize.

I have told the Egyptian authorities that I think they have a perfect right to fix M. Prompt's salary at 1,800*l.* a-year, but I do not, for the present, propose to interfere very actively in the matter. I daresay, however, that some opportunity for settling it will arise. In the meanwhile, M. Timmermann has left Egypt, and for the moment the French are not represented on the Railway Board.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 68.

The Public Works Department to the Railway Board.

Ministère des Travaux Publics, le Caire, le 27 Avril, 1887.

M. le Président,

J'AI l'honneur de vous informer que, dans sa séance du 11 Avril courant, le Conseil des Ministres a décidé que M. Timmermann, Administrateur des Chemins de Fer, Télégraphes, et Port d'Alexandrie, continuerait dorénavant ses services en la dite qualité, sans contrat ni indemnité, au même traitement de 2,000*l.* que son collègue Halton Bey, et cela à partir de la date d'expiration de son dernier contrat.

En outre, par dérogation au règlement, la même décision autorise M. Timmermann à prendre un congé annuel de trois mois.

Cette décision, prise en considération des longs services de M. Timmermann, lui est toute personnelle et ne modifie en aucune manière pour l'avenir l'intention du Gouvernement de réduire le traitement du fonctionnaire qui succéderait éventuellement au poste occupé aujourd'hui par M. Timmermann.

Veuillez, &c.
Le Ministre:
(Signé) A. ROUCHDY.

No. 69.

Sir E. Baring to the Marquis of Salisbury.—(Received April 13.)

(No. 170.)

Cairo, April 4, 1889.

My Lord,

WITH reference to previous correspondence on the subject, I have the honour to transmit herewith an extract from the "Journal Officiel" of yesterday, stating that, during Sir Edgar Vincent's absence on leave, M. Ornstein will act as Financial Adviser to the Egyptian Government.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 69.

Extract from the "Journal Officiel" of April 3, 1889.

MINISTÈRE DES FINANCES.

PENDANT l'absence de Sir Edgar Vincent, parti en congé pour l'Europe, M. I. Ornstein remplira par intérim les fonctions de Conseiller Financier.

No. 70.

Sir E. Baring to the Marquis of Salisbury.—(Received April 13.)

(No. 172.)

Cairo, April 4, 1889.

My Lord,

I HAVE the honour to transmit herewith the Statement for March last published in the "Journal Officiel" of yesterday by the Commissioners of the Public Debt, respecting the Guaranteed 3 per Cent. Loan, the Privileged and Unified Debts, and

PUBLIC RECORD OFFICE, LONDON

the 4½ per Cent. Loan, as well as a further Statement respecting the position of the sinking fund of the Guaranteed 3 per Cent. Loan.

I have, &c,
(Signed) E. BARING.

Inclosure 1 in No. 70.

Extract from the "Journal Officiel" of April 3, 1889.

CAISSE DE LA DETTE PUBLIQUE.

Mois de Mars 1888.

État Mensuel des Sommes versées à la Caisse de la Dette Publique.

EMPRUNT GARANTI 3 POUR CENT.

	£
Échéance du 1er Septembre, 1889— Capital restant à amortir	9,131,600
Dotation d'intérêts	136,974
Dotation d'amortissement	20,526
Total égal à la demi-annuité à prélever le 15 Août comme première charge sur les revenus affectés au service de la Dette Privilégiée et de la Dette Unifiée	157,500

DETTE PRIVILÉGIÉE.

	£
Échéance du 15 Avril, 1889— Capital restant à amortir	22,296,800
Dotation d'intérêts	557,420

Nota.—Le complément des dotations de la Dette Privilégiée est prélevé sur les revenus de la Dette Unifiée.

Désignation des Administrations dont les Revenus sont affectés au Service de la Dette Privilégiée.	Sommes versées— Du 1er au 31 Mars, 1889.	Sommes versées— Du 15 Octobre au 28 Fevriér.	Totaux au 31 Mars, 1889.
	£ E. m.	£ E. m.	£ E. m.
Chemins de Fer, Télégraphes, et Port d'Alexandrie ..	58,500 000	360,750 000	419,250 000
Soit	..	..	430,000*l.*

DETTE UNIFIÉE.

	£ s.
Échéance du 1er Mai, 1889— Capital restant à amortir	55,989,440 0
Dotation d'intérêts	1,119,788 16

Désignation des Administrations et Provinces dont les Revenus sont affectés au Service de la Dette Unifiée.	Sommes versées— Du 1er au 31 Mars, 1889.	Sommes versées— Du 26 Octobre, 1888, au 28 Février, 1889.	Totaux au 31 Mars, 1889.
	£ E. m.	£ E. m.	£ E. m.
Province de Garbieh	37,488 023	472,878 048	510,366 071
„ Ménoufieh	57 134	343,746 569	343,803 703
„ Béhéra	141 358	226,499 769	226,641 127
„ Siout	4,788 403	95,975 975	100,764 378
Douanes	33,028 941	183,309 574	216,338 515
Droits sur les tabacs d'importation	30,370 000	154,262 000	184,632 000
Versement du Ministère des Finances en réglement du 7 pour cent des provinces pour 1888 ..	..	..	18,147 700
	105,873 859	1,476,671 935	1,600,693 494
Soit	..	..	1,641,737*l.*

EMPRUNT 4½ POUR CENT.

	£ s. d
Échéance du 20 Juin, 1889— Capital d'émission	2,330,000 0 0
Dotation d'intérêts	52,425 0 0
Dotation d'amortissement	14,241 13 4
Total égal à la demi-annuité	66,666 13 4

Au service de cet Emprunt est affectée une annuité de £ E. 130,000 payable par versements mensuels du Ministre des Finances.	Versements— Du 1er Mars, 1889.	Versements— De Janvier-Février.	Totaux au 31 Mars, 1889.
	£ E. m.	£ E. m.	£ E. m.
	10,833 333	21,666 666	32,499 999
Soit	..	..	33,333*l.*

Les Commissaires-Directeurs,
(Signé) Comte ZALUSKI.
LE CHEVALIER.
G. B. MACHIAVELLI.
A. MONEY.
Prince A. MOUROUSI.
RICHTHOFEN.

Pour copie conforme :
Le Contrôleur,
(Signé) W. MOG.
Le Caire, le 1er *Avril*, 1889.

Inclosure 2 in No. 70.

Extract from the "Journal Officiel" of April 3, 1889.

CAISSE DE LA DETTE PUBLIQUE.

Amortissement Supplémentaire de l'Emprunt Garanti 3 *pour Cent.*

Semestrialité du 1er *Mars*, 1889.

FONDS applicables à l'Amortissement.

	£ E.
1. Solde disponible au 1er Mars	39,413
2. Coupons du 1er Mars encaissés sur les titres rachetés de 20,200*l.*, soit, 303*l.* ..	295,425
	334,838
Emploi des fonds— Achat effectué en Mars de 300*l.* nominales ayant coûté, frais compris, 303*l.* 15*s.* 6*d.**	296,180
Solde disponible	38,658

Par suite de cet amortissement, le capital de l'Emprunt Garanti 3 pour cent se trouve réduit à 9,131,600*l*

La demi-annuité fixe de 157,500*l.* se décomposera comme suit—	£ E.
Dotation d'intérêts..	136,974
Dotation d'amortissement	20,526

Les Commissaires-Directeurs,
(Signé) Baron RICHTHOFEN.
G. LE CHEVALIER.
G. B. MACHIAVELLI.
A. MONEY.
Prince A. MOUROUSI.
Comte ZALUSKI.

Pour copie conforme :
Le Contrôleur,
(Signé) W. MOG.
Le Caire, le 31 *Mars*, 1889.

* Déduction faite de 4*l.* 10*s.* montant du coupon du 1er Septembre prochain sur ces titres acquis à la Caisse, le prix d'achat correspond au cours de 99¾.

No. 71.

Sir E. Baring to the Marquis of Salisbury.—(Received April 13.)

(No. 173.) *Cairo, April 4, 1889.*

My Lord,

I HAVE the honour to transmit herewith copy of a note by M. Rocca Serra on the conversion of the Preference stock. Your Lordship will observe that the conclusion at which M. Rocca Serra arrives is that the Egyptian Government has the right, with the assent of the Powers that signed the Law of Liquidation, to pay off the Preference stock at any moment. The Egyptian Government further intend to get the opinion of the whole of the "Contentieux," and also of some of the more distinguished among the private practitioners in the Courts upon the point in question.

I believe I am correct in saying that the Law Officers of the Crown, who were consulted on the matter, gave their opinion in favour of the legality of a conversion of the Preference stock. On the other hand, Sir Horace Davey and Sir Charles Russell are, I understand, of the contrary opinion. Whilst fully appreciating the value that must be attached to the view of two such eminent lawyers, I confess I do not see how it is possible to reply to the arguments put forward by M. Rocca Serra. It is unnecessary for me to recapitulate those arguments which are set forth very clearly in the inclosed note; but I may observe that in addition to the general arguments invoked by M. Rocca Serra in respect to the right of conversion which would apply equally to all branches of the Egyptian Debt, the possibility of redeeming the Preference stock appears to have been foreseen in 1876, and to have formed the subject of a special provision. Article 27 of the Decree of the 18th November, 1876, which created the Preference stock, is to the following effect:—

"L'Administration formée ainsi qu'il est dit ci-dessus restera en fonctions jusqu"à ce que toutes les obligations privilégiées sprécialement aient été amorties ou remboursées."

Moreover, it must not be forgotten that the terms of the Agreement between the Egyptian Government and the holders of the stock have to be interpreted in accordance with Egyptian law in the Egyptian Courts. Considerable weight must be attached, therefore, to the opinion of the Egyptian lawyers, who are more familiar with the rulings and decisions of their own Courts than is possible in the case of those who have not practised in this country.

For these reasons it appears to me, in so far as I am competent to offer an opinion on the legal view of this subject, that, by giving their adhesion to a conversion of the Preference stock, Her Majesty's Government would not be countenancing any violation whatever of the engagements taken by the Egyptian Government towards the holders of the stock.

I now turn to what I may term the equitable as opposed to the strictly legal view.

I have never, at any time, sympathized with the outcry that has from time to time been raised, that Egypt is being administered solely in the interests of the bondholders. On the contrary, I have held, as a general rule, that the interests of the people of this country and those of the bondholders lay in parallel lines. A strong, just, and economical administration was equally to the advantage of both.

On the present occasion, however, the interests of the two parties are opposed, and in deciding whether or not to assent to the proposed conversion, Her Majesty's Government will be compelled to choose between them. I venture to urge that the proposals of the Egyptian Government should, from the point of view of equity, receive favourable consideration.

Since the formation of the Preference stock in 1876, the rate of interest on the coupons has never been reduced, though by the Law of Liquidation in 1880, the interest on the Unified stock was reduced from 7 per cent. to 4 per cent.: 5 per cent. was deducted from the coupons in the years 1885 and 1886, but this amount was subsequently repaid.

The progress made in the last few years in the direction of more economical administration has resulted in a considerable improvement of the credit of the Egyptian Government. It does not appear to me to be either just or expedient that the bondholders should reap the whole benefit of this improved credit. Egypt has derived very little advantage from the loans raised by the late Khedive. The greater part of the money was not expended in improving the resources of the country. Any proposal which tends to lighten the burdens which these loans still impose upon

the population, merits the serious attention of all who are interested in the welfare of Egypt. I venture, therefore, to express a hope that Her Majesty's Government will be willing to exert their influence in support of the proposed conversion of the Preference stock.

I have, &c.
(Signed) E. BARING.

P.S.—Since writing the above, I have received the opinion of the whole of the "Contentieux" upon the point under discussion. I have the honour to inclose a copy herewith.

E. B.

Inclosure 1 in No. 71.

Memorandum respecting the Conversion of the Privileged Debt.

LE Gouvernement Égyptien a-t-il le droit de procéder au rembousement au pair, des obligations de la Dette Privilégiée?

Il convient de rappeler tout d'abord, que les actes posés par un État quelconque, pour l'organisation de ses finances, constituent des actes de *souveraineté* contre lesquels aucune action en indemnité n'est recevable. Tous les auteurs et économistes qui ont traité de la matière ont reconnu le droit *absolu* de l'État dans l'organisation et la disposition des finances publiques. (Voir Leroy-Beaulieu, "Traité des Finances," tome 27, p. 188.)

C'est par application de ce principe qu'au cours même de ce siècle la plupart des États, la France, l'Angleterre, l'Autriche, &c., ont modifié dans une mesure plus ou moins étendu, les conditions d'existence de leurs dettes nationales, sans que dans aucun des dits pays, les détenteurs de ces dettes se soient jamais pourvus devant les Tribunaux, soit pour demander des réparations pécuniaires, soit même pour y discuter, au point de vue de l'opportunité, l'usage que l'État avait fait de ses prérogatives, au préjudice de leurs intérêts individuels; l'Égypte n'a-t-elle pas elle-même usé de ce droit primordial, en réduisant, par les Décrets des 7 Mai et 18 Novembre, 1876, l'intérêt de sa dette?

Des porteurs, il est vrai, ne craignirent pas de contester le droit de l'État et introduisirent une instance devant les Tribunaux de la Réforme.

Le Tribunal Mixte d'Alexandrie, après avoir longuement et magistralement exposé la théorie de la souveraineté des États, en matière d'organisation de leurs finances, s'est déclaré incompétent. Ce Jugement (16 Mars, 1880) a été confirmé par la Cour d'Appel d'Alexandrie le 22 Avril, 1880.

Ce droit absolu de modifier l'organisation de sa Dette Publique, d'en réduire les intérêts (et à bien plus forte raison d'en opérer le remboursement) si solennellement proclamé par la Cour d'Appel en 1880, a-t-il postérieurement subi une modification, une restriction quelconque?

À la date du 17 Juillet, 1880, a été promulguée une Loi spéciale, dite de Liquidation: cette Loi déclare formellement que l'intérêt de la Dette Privilégiée est maintenu à 5 pour cent; elle assure, en outre, diverses garanties aux porteurs.

Cette Loi, étant l'œuvre commune de l'Égypte et des Puissances, constitue un véritable Acte International, aucune dérogation, aucune modification ne peut y être apportée, sans l'adhésion des Puissances co-contractantes.

Mais cette Loi n'a porté aucune atteinte au droit primordial et imprescriptible de la souveraineté de modifier la Dette Publique: seulement, la souveraineté en cette matière a cessé d'appartenir à l'Égypte seule: les autres Puissances Contractantes y participent; en d'autres termes, le droit reste indiscutable; mais l'exercice ne peut en avoir lieu que du consentement des Puissances Signataires de la Loi de Liquidation.

Toute mesure, prise par l'Égypte dans l'ordre financier avec l'assentiment des dites Puissances, s'impose obligatoirement à tous les porteurs sans recours possible devant aucune juridiction.

Mais on objecte, paraît-il, qu'une pareille mesure constituerait une véritable violation des engagements pris: que les Puissances ne sauraient donc y donner leur adhésion.

En d'autres termes, c'est la légalité même du rachat qui est contestée. Cette

question de principe a fait l'objet en France de controverses dans la doctrine et de débats retentissants dans le Parlement: elle est aujourd'hui soverainement tranchée et Troplong a pu dire avec raison: "Un projet de remboursement et par suite un projet de conversion subiront toujours l'empire variable des circonstances, et c'est seulement du côté de l'opportunité que leurs adversaires trouveront des armes offensives; mais ils feront sagement de n'en pas aller chercher dans le domaine de la légalité; ils y échoueraient." (Troplong, "Droit Civil du Prêt," p. 392.) Et effectivement, la France a procédé à diverses reprises à des conversions.

La faculté de rachat constitue pour un État un droit primordial, imprescriptible et qu'il a toujours le droit d'exercer, à moins de s'en être, lui-même, interdit l'usage par une disposition précise et formelle.

L'Égypte aurait-elle aliéné ce droit en ce qui concerne sa Dette Privilégiée?

Les obligations de cette dette ont été émises en vertu d'un Décret Khédivial du 18 Novembre, 1876, dont les principales dispositions se trouvent reproduites sur les titres mêmes et aux termes duquel il a été émis 17,000,000*l.* rapportant 5 pour cent d'intérêt *amortissable en soixante-cinq ans;* au verso du titre se trouve effectivement imprimé un Tableau, indiquant le nombre d'obligations à amortir annuellement.

S'armant de cette mention et de ce Tableau, les adversaires de la conversion soutiennent que le Gouvernement Égyptien s'est interdit, lui-même, le droit de se libérer autrement que par la voie de l'amortissement et conformément au Tableau ci-dessus. C'est confondre deux ordres d'idées bien différentes: autre chose est le rachat graduel au cours de la place ou par voie de tirage au sort, autre chose est le rachat forcé et en bloc: l'état a pu établir et réglementer le premier, sans qu'on puisse en induire qu'il ait renoncé au second.

Si l'on voulait, d'ailleurs (bien qu'il s'agisse ici d'une matière de droit public), raisonner d'après les règles du droit privé, c'est-à-dire de la législation mixte—la seule qui régisse les rapports juridiques entre le Gouvernement et les étrangers—il faudrait reconnaître au Gouvernement débiteur à *terme* le droit de se libérer (Code Civil, Article 155) avant le terme si la Loi ou la Convention ne s'y oppose pas. Or, le délai de soixante-cinq ans fixé pour l'amortissement est un délai *maximum* imposé au Gouvernement, mais rien dans la Convention ne s'oppose à ce que le Gouvernement l'abrège, s'il le juge convenable.

Mais il ne faut pas perdre de vue que ce Tableau d'amortissement dont on argumente n'existe plus. La Convention de Londres, pour faire face au service de l'Emprunt Garanti (Décret du 27 Juillet, 1885, Article 18) a suspendu l'amortissement, que l'on peut considérer comme supprimé de fait. De sorte que la Dette Privilégiée s'est trouvée transformée en une véritable rente perpétuelle. Or, d'après les principes formels du Code Français, dont le Code Égyptien n'est qu'une émanation, une rente perpétuelle est essentiellement rachetable: "Quand bien même," dit encore Troplong, "l'État réglant l'ordre des ses finances suivant l'opportunité des circonstances et des ressources actuelles aurait *écarté* l'idée d'un remboursement intégral (que rien ne rendait alors ni faisable ni probable), cette mesure de haute administration ne saurait être assimilée à l'abandon définitif d'une faculté imprescriptible, assurée par la Loi de tous les temps, au débiteur d'une rente constituée." Autrement, il faudrait dire que l'État ne pourrait jamais se libérer puisque le remboursement lui serait interdit en droit et l'amortissement lui serait interdit en fait.

Mais ce qui coupe court à toute contestation, c'est que la faculté de rachat résulte pour le Gouvernement Égyptien non seulement des principes généraux du droit, mais encore d'un texte formel. L'Article 27 du Décret du 18 Novembre, 1876 (qui a créé la Dette Privilégiée) reproduit sur chaque titre est ainsi conçu: "l'Administration formée ainsi qu'il est dit ci-dessus, restera en fonctions jusqu'à ce que toutes les obligations Privilégiées spécialement aient été *amorties ou remboursées.*

Le Port d'Alexandrie étant compris dans cette garantie pour une somme de 2,000,000*l.* pourra être libéré de la garantie et détaché de l'Administration commune lorsque 2,000,000*l.* de ces titres Privilégiés auront été amortis *ou* remboursés; les chemins de fer étant compris dans cette garantie pour 15,000,000*l.* en titres Privilégiés pourront être libérés par *l'amortissement* ou le *remboursement* de 15,000,000*l.* de ces titres.

Loin de s'interdire, ainsi qu'on le prétend, le remboursement et de s'être réservé l'amortissement comme mode unique de libération, le Gouvernement a pris soin de prévoir formellement deux modes d'extinction de la dette: en procédant à un remboursement il ne viole aucun engagement; il ne fait qu'user d'un droit qui a fait de sa part l'objet d'une réserve explicite.

En conclusion: le Gouvernement Égyptien est en droit, d'accord avec les

Puissances Signataires de la Loi de Liquidation, de procéder à toute époque au remboursement de la Dette Privilégiée.

(Signé) CH. DE ROCCA SERRA.

Le Caire, le 1er Avril, 1889.

Inclosure 2 in No. 71.

Notice.

LE Comité du Contentieux de l'État,

Consulté sur le projet de conversion de la Dette Privilégée.

Vu le Décret du 18 Novembre, 1876.

Vu la Loi de Liquidation du 17 Juillet, 1880.

Vu la Convention de Londres du 18 Mars, 1885, et le Décret subséquent du 27 Juillet, 1885.

Considérant qu'en dehors du droit qu'a tout débiteur de se libérer, tout Gouvernement a le droit absolu de réglementer souverainement et a plus forte raison de rembourser sa Dette Nationale;

Que c'est par application de ce principe que la plupart des États ont procédé et procèdent à la conversion de leur dette.

Que l'exercice de ce droit n'est généralement limité que par des engagements législatifs comportant interdiction d'en user pour un temps déterminé;

Qu'en ce qui concerne l'Égypte et spécialement la Dette Privilégiée, il y a lieu d'examiner si l'exercice du droit de remboursement de cette dette set rouve interdit soit par la Loi, soit par les Actes Internationaux qui régissent son organisation financière;

Considérant que, loin de porter une pareille interdiction, le Décret du 18 Novembre, 1876, dans son Article 27, prévoit expressément deux modes de libération, à savoir:—

1. L'amortissement;
2. Le remboursement;

Que cet Article se trouve textuellement reproduit sur les titres mêmes de la Dette Privilégiée;

Que si les obligations ont été, au moment de leur émission, stipulées amortissables en soixante-cinq ans, ce délai maximum, établi, d'ailleurs, dans l'intérêt du débiteur, ne s'applique qu'à l'amortissement;

Que l'amortissement maintenu par la Loi de Liquidation a été suspendu en vertu de l'Article 18 du Décret du 27 Juillet, 1885;

Qu'aucun délai au contraire n'est imposé pour l'exercice du droit de remboursement;

Qu'en se libérant donc par voie de remboursement, le Gouvernement Égyptien ne ferait qu'user de la faculté qui lui est formellement réservée par la Loi même qui a créé la Dette Privilégiée;

Considérant que les Actes Internationaux intervenus postérieurement n'ont porté aucune atteinte à cette réserve;

Qu'à défaut même d'une réserve formellement exprimée le Gouvernement n'en aurait pas moins le droit, en vertu du principe général ci-dessus énoncé, de rembourser sa dette;

Qu'en conséquence le droit du Gouvernement de procéder au remboursement est indiscutable;

Considérant toutefois qu'en fait, le remboursement de la Dette Privilégiée n'est possible que par la création d'une nouvelle dette ou l'augmentation du capital des dettes actuelles avec les garanties y attachées;

Qu'à cet effet, il est nécessaire d'obtenir l'assentiment des Puissances qui ont pris part aux engagements internationaux susmentionnés,

Estime:

Qu'avec le concours des dites Puissances le Gouvernement Égyptien a le droit de procéder à toute époque au remboursement du capital de la Dette Privilégiée.

(Signé) A. M. PIETRI.
KELLER.
DE ROCCA SERRA.

Le Caire, le 4 Avril, 1889.

No. 72.

Messrs. Harries, Wilkinson, and Raikes to Foreign Office.—(Received April 13.)

24, Coleman Street, London, April 13, 1889.

Sir,

WE have been instructed by holders of a large amount of Egyptian 5 per Cent. Preference bonds to take steps to resist the compulsory conversion of their bonds and the consequent reduction of interest from 5 per cent. to 4 per cent., which it appears by official telegrams from Egypt is contemplated.

You are no doubt aware that this loan was arranged by the Right Honourable G. J. Goschen in 1876, when he effected the settlement between the Egyptian Government and its creditors, and it was provided that the bonds were to be repaid by the action of a sinking fund spread over sixty-five years. These terms are set out on the face of the bonds, and on the faith of these terms our clients purchased their bonds.

We believe it is now asserted by the Egyptian Government that under certain words which appear in Article 27 of the Decree creating the bonds, they are entitled to pay them off at par at any time notwithstanding the express terms of the Decree in regard to redemption by a sinking fund. Our clients deny this alleged right, the exercise of which will cause them serious loss, and contend that neither party has the right to alter in any way the terms agreed upon in 1876.

We have laid a case containing the simple facts before the following gentlemen:—

Sir Horace Davey, Q.C., M.P.
Sir Charles Russell, Q.C., M.P.
Mr. G. Stapylton Barnes.
Mr. Arthur Cohen, Q.C.
Mr. R. B. Finlay, Q.C., M.P.
Mr. Tennant Dunlop.

And you will see by the replies they have made, copies of which we inclose, they unanimously advise that the Egyptian Government has no right whatever to pay off this loan compulsorily, and can only redeem the bonds through the sinking fund or by arrangement with the bondholders.

It being admitted that the threat of the Egyptian Government can only be carried out with the previous sanction of the Great Powers, we venture to ask you, on behalf of the bondholders whom we represent, to afford them an opportunity, as requested by Sir Robert Fowler, M.P. in putting his question to you in the House of Commons on the 5th instant, of explaining their views to you on this, to them, important subject, before Her Majesty's Government gives its consent.

The course proposed will injuriously affect thousands of English families who have invested their savings under marriage settlements and otherwise in the Egyptian 5 per Cent. Loan on the faith that it would remain undisturbed for the sixty-five years for which it was issued; and we trust, therefore, that the Government will see that their just rights are in no way impaired.

We have, &c.
(Signed) HARRIES, WILKINSON, AND RAIKES.

Inclosure 1 in No. 72.

Opinion of Sir Horace Davey, Q.C., M.P.

I AM of opinion that, according to the tenour of the bonds, the Egyptian Government have not the right to pay off, or compel the bondholders to receive payment of the principal moneys secured by the bonds, otherwise than by half-yearly drawings in sixty-five years according to the endorsed Table of Amortization. I do not think that Article 27 of the Decree of the 18th November, 1876, implies a power in the Government to pay off the bonds at their pleasure, against the will of the bondholders.

(Signed) HORACE DAVEY.

8, Old Square, Lincoln's Inn, March 26, 1889.

Inclosure 2 in No. 72.

Opinion of Sir Charles Russell, Q.C., M.P., and Mr. George Stapylton Barnes.

WE are of opinion that Article 27 of the Decree of the 18th November, 1876, only contemplates repayment by agreement with the Preference bondholders, and does not confer on the Egyptian Government compulsory powers of repayment. We therefore think that the Egyptian Government cannot compel their Preference bondholders to receive the par value of their bonds except under the operation of the sinking fund.

(Signed) C. RUSSELL.
GEORGE S. BARNES.

10, New Court, Lincoln's Inn, March 27, 1889.

Inclosure 3 in No. 72.

Opinion of Mr. Arthur Cohen, Q.C.

I AM of opinion that, according to the terms of the bonds, the Egyptian Government have no right to compel the bondholders to receive payment of the principal moneys secured by the bonds otherwise than by the half-yearly drawings provided for in the bonds.

As regards the 27th Article of the Decree of the 18th November, 1876, it is to be noticed, in the first place, that, in face of the express stipulation that the bonds are to be redeemable at par by drawings in sixty-five years, it cannot be presumed that they could be paid off at par by the Government at any time they might choose. In the second place, that the 27th Article does not speak of the bonds being paid off at par. It follows, in my opinion, that the 27th Article must be taken to refer only to the bonds being paid off with the consent of, and by arrangement with, the bondholders, and does not give the Government the right to pay off the bonds without such consent.

(Signed) ARTHUR COHEN.

Temple, April 10, 1889.

Inclosure 4 in No. 72.

Opinions of R. B. Finlay, Esq., Q.C., M.P., and Mr. Tennant Dunlop.

WE are of opinion that the bond for 20*l.* laid before us does not confer upon the Egyptian Government the power to pay off the holder at the option of the Government.

The bond is expressed to be one "bearing interest at the rate of 1*l.* per annum, payable half-yearly on the 15th April and 15th October each year, and redeemable at par in sixty-five years by half-yearly drawings, which will take place on the 15th January and the 15th July."

We think that these words contain the terms regulating the right of the holder to demand, and the right of the Government to make, payment of the principal.

We understand that reliance is placed upon the following words of the 27th Article of the Decree of the 18th November, 1876, which is printed upon the face of the bond: "The Administration formed as described above will continue to act until all the Privileged bonds specially created have either been redeemed or paid off." We are of opinion that if any force is to be given to these words, "or paid off," they must refer to a payment to be made by the Government with the consent of the holder of the bond, as we do not think that, upon a fair construction of the instrument, they confer upon the Government the right to pay off the holder otherwise than by half-yearly drawings extending over sixty-five years.

It appears to be quite clear that the holder could not compel the Government to pay him off before the stipulated time; and, by parity of reasoning, we think that the holder cannot be compelled to take payment before the stipulated time.

(Signed) R. B. FINLAY.
C. J. TENNANT DUNLOP.

Temple, April 12, 1889.

No. 73.

The Marquis of Salisbury to Sir E. Baring.

(No. 137.)

Foreign Office, April 15, 1889.

Sir,

I HAVE received and considered, in communication with the Lords Commissioners of Her Majesty's Treasury, your despatch No. 145 of the 13th ultimo.

Her Majesty's Government have no objection to offer to the draft Decree by which the Egyptian Government propose to render all official salaries and pensions entirely exempt from liability to seizure for debt, and you may accordingly notify their assent to its issue.

I am, &c.

(Signed) SALISBURY.

No. 74.

Sir E. Baring to the Marquis of Salisbury.—(Received April 16, 11 A.M.)

(No. 74. Confidential.)

(Telegraphic.)

Cairo, April 16, 1889, 10·10 A.M.

SIR E. VINCENT has telegraphed suggesting that Baron Richthofen should leave at once, so as to be ready to assist without delay in the conversion negotiations, in case of necessity. The German Consul-General has asked my advice. I have suggested that Richthofen should take leave. He has a good excuse, as his wife is ill.

Please let me know what prospect there is of the negotiations being successful, and also whether, if I am asked, I may say that Her Majesty's Government are disposed to support the proposal, or the reverse.

No. 75.

Foreign Office to Messrs. Harries, Wilkinson, and Raikes.

Foreign Office, April 16, 1889.

Gentlemen,

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of the 13th instant relating to the proposed conversion of the Egyptian 5 per cent. Preference stock, and I am to state that his Lordship will cause a further communication to be made to you on the subject.

I am, &c.

(Signed) P. CURRIE.

No. 76.

War Office to Foreign Office.—(Received April 17.)

War Office, April 17, 1889.

Sir,

I AM directed by the Secretary of State for War to acknowledge the receipt of your letter of the 6th instant, transmitting the copy of a despatch from Her Majesty's Agent and Consul-General in Egypt, suggesting that a small Committee should be appointed to investigate on the spot the whole question of the expenses of the army in Egypt—whether the division of charges between England and Egypt is in conformity with the principle that only the extra expenses should be borne by the latter country, and whether, by a more economical administration, both the English and Egyptian Treasuries cannot be relieved of a certain amount of the charges now thrown upon them.

In reply, I am to acquaint you that Mr. Secretary Stanhope concurs in this proposal, and that, with the consent of the Lords Commissioners of Her Majesty's Treasury, Mr. Lawson, C.B., Deputy Accountant-General in this Office, has been appointed to represent the Treasury and the War Office.

I am to add that the General Officer commanding Her Majesty's forces in Egypt has been requested to nominate a combatant officer as a member of this Committee.

I am, &c.

(Signed) H. G. DEEDES.

No. 77.

The Marquis of Salisbury to Sir E. Baring.

(No. 46.)

(Telegraphic.)

Foreign Office, April 17, 1889, 2·35 P.M.

YOUR telegram No. 74 of the 16th: Preference stock.

Conversion matter being attended to, but we cannot move until we have official opinion from Law Officers. No time will be lost in obtaining it.

No. 78.

The Marquis of Salisbury to Count Hatzfeldt.

Foreign Office, April 17, 1889.

M. l'Ambassadeur,

WITH reference to the inquiry recently made by Count Leyden, I have the honour to acquaint your Excellency that Her Majesty's Government see no objection to the draft Decree by which the Egyptian Government propose to render all official salaries and pensions entirely exempt from liability to seizure for debt, and have instructed Her Majesty's Agent and Consul-General in Egypt to notify their assent to its issue.

I have, &c.

(Signed) SALISBURY.

No. 79.

The Marquis of Salisbury to Sir E. Baring.

(No. 47.)

(Telegraphic.)

Foreign Office, April 18, 1889, 3 P.M.

YOUR despatch No. 150 of 16th ultimo: Army of Occupation expenses.

Mr. Lawson, of War Office, will represent that Department and Treasury; due in Egypt 1st May.

Make necessary preparations for meeting of Commission.

No. 80.

The Marquis of Salisbury to Sir E. Baring.—(Substance telegraphed.)

(No. 140. Ext. 47.)

Foreign Office, April 18, 1889.

Sir,

I REFERRED to Her Majesty's Secretary of State for War and to the Lords Commissioners of the Treasury the suggestion contained in your despatch No. 150 of the 16th ultimo, that a small Commission should be appointed to investigate on the spot the whole question of the expenses of the Army of Occupation, with a view to arriving at a decision as to the amount properly chargeable to Egyptian funds; and I now transmit to you a copy of a letter from the War Office,* from which it will be seen that the proposal in question is approved, and that Mr. Lawson, C.B., Deputy Accountant in the War Office, has been appointed to represent that Department and the Treasury.

Mr. Lawson will arrive in Egypt on or about the 1st of next month, and I have to request that you will make the necessary arrangements for the meeting of the Commission as soon as possible after his arrival.

I am, &c.

(Signed) SALISBURY.

No. 81.

Foreign Office to Messrs. Harries, Wilkinson, and Raikes.

Foreign Office, April 18, 1889.

Gentlemen,

WITH reference to your letter of the 13th instant, relative to the proposed conversion of Egyptian Preference stock, I am directed by the Marquis of Salisbury to state

* No. 76.

that before a reply is sent to your letter he would be obliged if you would be good enough to forward, for the information of Her Majesty's Government, a copy of the Case submitted to counsel.

I am, &c.
(Signed) P. CURRIE.

No. 82.

Treasury to Foreign Office.—(Received April 19.)

Treasury Chambers, April 18, 1889.

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit herewith, for the information of the Marquis of Salisbury, a copy of a letter, of to-day's date, which my Lords have caused to be addressed to the Financial Secretary, War Office, on the subject of appointment of a Commission respecting expenses of British Army of Occupation in Egypt.

I have, &c.
(Signed) FRANK MOWATT.

Inclosure in No. 82.

Treasury to War Office.

Treasury Chambers, April 18, 1889.

Sir,

THE Lords Commissioners of Her Majesty's Treasury desire me to say, for the information of Mr. Secretary Stanhope, that they have received from the Foreign Office the correspondence respecting a proposal of Sir E. Baring that a Commission should be appointed to inquire into the charges made yearly against the Egyptian Government for the extra expenses of the British Army of Occupation.

If Mr. Secretary Stanhope concurs with the Marquis of Salisbury in recommending this inquiry, my Lords will not withhold their consent to such moderate expenditure as it may necessarily entail, provided it be fully understood on both sides that the inquiry is to affect future charges only, my Lords being unable to sanction the reopening of any past accounts. They think the fourth member of the Commission had better be nominated by the Secretary of State, and are willing to allow him 2*l.* 2*s.* a-night for subsistence on condition that no claim is made for outfit.

I am, &c.
(Signed) FRANK MOWATT.

No. 83.

The Marquis of Salisbury to Sir E. Baring.

(No. 142.) *Foreign Office, April* 19, 1889.

Sir,

I HAVE received your despatch No. 169, Confidential, of the 3rd instant, stating that the Egyptian Government have decided to appoint M. Prompt, the nominee of the French Government, to the vacant place on the Railway Board, but that a difficulty has arisen with respect to the figure at which his salary is to be fixed.

I concur in your views as expressed in your above-mentioned despatch, and approve your intention not to interfere for the present in the question under discussion.

I am, &c.
(Signed) SALISBURY.

No. 84.

Sir E. Baring to the Marquis of Salisbury.—(Received April 20.)

(No. 180.) *Cairo, April* 10, 1889.

My Lord,

IN my despatch No. 173 of the 4th instant I had the honour to transmit to your Lordship the opinion of M. Rocca Serra and of the other legal advisers of the Egyptian

Government respecting the legality of the proposed conversion of the Preference stock. I also informed your Lordship that the Egyptian Government proposed to submit the point at issue to some legal authorities not connected with the Government. Accordingly, Borelli Bey, M. Figari, and Mr. Charles Royle, who are respectively the most prominent members of the legal profession among the French, Italian, and English colonies in Egypt, were invited to state their views upon this question.

I have the honour to transmit three copies of the opinions of these gentlemen,* which, your Lordship will observe, are unanimously in favour of the right of the Egyptian Government to proceed with the conversion.

I have, &c.
(Signed) E. BARING.

No. 85.

M. Catalani to the Marquis of Salisbury.—(Received April 24.)

(Translation.) 20, *Grosvenor Square, April* 22, 1889.

My Lord,

HIS Majesty's Agent in Cairo has forwarded to His Majesty's Government a copy of a Circular from the Egyptian Minister for Foreign Affairs requesting the adhesion of the Powers to certain alterations which the Viceroy's Government wishes to introduce into the Decree of the 2nd April, 1888, respecting personal services ("corvée") in Egypt.

These alterations consist practically in extending to other works, not contemplated by the Decree in question, the amounts appropriated by it to the redemption of the corvée.

The King's Government, in communicating the above to me, expresses a wish to know, before coming to a decision, what is the opinion of the Government of the Queen on the subject.

I should therefore be obliged if your Excellency, with your usual courtesy, would, if possible, enable me to meet the wish thus expressed by my Government.

With anticipated thanks, I have, &c.
(Signed) T. CATALANI.

No. 86.

Messrs. Harries, Wilkinson, and Raikes to Foreign Office.—(Received April 24.)

24, Coleman Street, London, April 23, 1889.

Sir,

WE have the honour to acknowledge your letter of the 18th instant, and, in accordance with the request of the Marquis of Salisbury, we beg to send you herewith a copy of the Case which was laid before Sir Horace Davey, Q.C., M.P., Sir Charles Russell, Q.C., M.P., Mr. Finlay, Q.C., M.P., Mr. Arthur Cohen, Q.C., Mr. George Stapylton Barnes, and Mr. Tennant Dunlop, and also their opinions thereon.

Any further information we can furnish upon this matter we shall be happy to forward, and possibly the inclosed extracts from the speeches and statements made by the Right Hon. G. J. Goschen, published officially in 1876, bearing upon this question, which we have had reprinted, may be useful, and we therefore inclose a few copies.†

We are, &c.
(Signed) HARRIES, WILKINSON, AND RAIKES.

Inclosure in No. 86.

In re *the Egyptian Five per Cent. Preference Loan.*

Case submitted to Counsel, with their Opinions thereon.

ON the 18th November, 1876, the Egyptian Government created a 5 per cent. Preference stock of 17,000,000*l.*, specially charged on the Railways of Egypt and the

* Printed copies are in the Department. † Not printed.

Port of Alexandria, which, by a further Decree of the 17th July, 1880, was increased to 22,743,000*l.*, at which it now stands.

The Decree provided for the redemption of the bonds at par in sixty-five years by half-yearly drawings by a sinking fund, the Table for which was indorsed on the bonds. This sinking fund, however, to meet the necessities of Egypt, was suspended on the 18th March, 1885.

The Decree further provided for the establishment of a Council of Administration for conducting the Railways and the Port of Alexandria, and amongst other powers given to the Administrators by Article 27 it was provided as follows:—

"The Administration formed as described above will continue to act until all the privileged bonds specially created have either been redeemed or paid off. The Port of Alexandria being comprised in this guarantee for the sum of 2,000,000*l.*, can be freed from this guarantee and detached from the joint administration as soon as 2,000,000*l.* of these Preference bonds shall have been redeemed or repaid.

"The Railways being comprised in this guarantee for 15,000,000*l.* in Preference stock, can be freed by the redemption or the repayment of 15,000,000*l.* of this stock."

The stock was for some time after date of issue at a considerable discount, but it has recently risen in the market, and is now quoted at a medium price of 103*l.*

Rumours have recently been circulated of an intention on the part of the Egyptian Government to pay off this 5 per cent. stock, and to issue a fresh stock in substitution for it bearing interest at a lower rate, and these rumours have now been confirmed by a statement in the money article of the "Times" of the 23rd instant.

It is apparently contended on the part of the Government that the expression in Article 27, "redeemed or repaid," gives the Government an implied right to repay at will otherwise than by the operation of the sinking fund.

A copy of one of the bonds is sent herewith, and counsel is requested to consider and advise whether, having regard to the terms of the bond and the circumstances mentioned in the Case, the Egyptian Government can compel bondholders to receive the par value of their stock before the expiration of the sinking fund period, which it is against their interest to do.

Counsel will particularly notice that the original Decree creating the bonds and the specified sinking fund does not admit of the increase of the sinking fund.

Opinion of Sir Horace Davey, Q.C., M.P.

I am of opinion that, according to the tenour of the bonds, the Egyptian Government have not the right to pay off or compel the bondholders to receive payment of the principal moneys secured by the bonds otherwise than by half-yearly drawings in sixty-five years, according to the indorsed Table of Amortization. I do not think that Article 27 of the Decree of the 18th November, 1876, implies a power in the Government to pay off the bonds at their pleasure, against the will of the bondholders.

(Signed) HORACE DAVEY.

8, *Old Square, Lincoln's Inn, March* 26, 1889.

Opinion of Sir C. Russell, Q.C., M.P., and Mr. George Stapylton Barnes.

We are of opinion that Article 27 of the Decree of the 18th November, 1876, only contemplates repayment by agreement with the Preference bondholders, and does not confer on the Egyptian Government compulsory powers of repayment. We therefore think that the Egyptian Government cannot compel their Preference bondholders to receive the par value of their bonds except under the operation of the sinking fund.

(Signed) C. RUSSELL.
GEORGE S. BARNES.

10, *New Court, Lincoln's Inn, March* 27, 1889.

Opinion of Arthur Cohen, Q.C.

I am of opinion that, according to the terms of the bonds, the Egyptian Government have no right to compel the bondholders to receive payment of the principal moneys secured by the bonds otherwise than by the half-yearly drawings provided for in the bonds.

As regards the 27th Article of the Decree of the 18th November, 1876, it is to be noticed in the first place that, in face of the express stipulation that the bonds are to be redeemable at par by drawings in sixty-five years, it cannot be presumed that they could be paid off at par by the Government at any time they might choose; in the second place, that the 27th Article does not speak of the bonds being paid off at par. It follows, in my opinion, that the 27th Article must be taken to refer only to the bonds being paid off with the consent of and by arrangement with the bondholders, and does not give the Government a right to pay off the bonds without such consent.

(Signed) ARTHUR COHEN.

Temple, April 11, 1889.

Opinions of R. B. Finlay, Q.C., M.P., and Mr. Tennant Dunlop.

We are of opinion that the bond for 20*l.* laid before us does not confer upon the Egyptian Government the power to pay off the holder at the option of the Government.

The bond is expressed to be one "bearing interest at the rate of 1*l.* per annum, payable half-yearly on the 15th April and 15th October each year, and redeemable at par in sixty-five years by half-yearly drawings, which will take place on the 15th January and the 15th July."

We think that these words contain the terms regulating the right of the holder to demand, and the right of the Government to make, payment of the principal.

We understand that reliance is placed upon the following words of the 27th Article of the Decree of the 18th November, 1876, which is printed upon the face of the bond: "The Administration formed as described above will continue to act until all the privileged bonds specially created have either been redeemed or paid off." We are of opinion that if any force is to be given to these words, "or paid off," they must refer to a payment to be made by the Government with the consent of the holder of the bond, as we do not think that upon a fair construction of the instrument they confer upon the Government the right to pay off the holder otherwise than by half-yearly drawings extending over fifteen years.

It appears to be quite clear that the holder could not compel the Government to pay him off before the stipulated time, and, by parity of reasoning, we think that the holder cannot be compelled to take payment before the stipulated time.

(Signed) R. B. FINLAY.
C. J. TENNANT DUNLOP.

Temple, April 12, 1889.

No. 87.

Foreign Office to the Law Officers of the Crown.

Foreign Office, April 24, 1889.

Gentlemen,

I HAVE the honour to transmit to you, by direction of the Marquis of Salisbury, the papers noted in the accompanying list,* with reference to the question (which has lately been much agitated in financial circles, and has now become of very pressing and immediate importance to Her Majesty's Government) whether the Egyptian Government are justified, having regard to their relations with the holders of the bonds of the Privileged Debt of 1876, and to all the circumstances of the case, in paying off those bonds at par if empowered so to do by a Decree issued with the assent of the Great Powers of Europe, who recognized this Privileged Debt, and were parties to the Egyptian Law of Liquidation promulgated on the 17th July, 1880.

* Sir E. Baring, No. 173, April 4, 1889; Messrs. Harries, Wilkinson, and Raikes, April 13, 1889 (four Inclosures); Secretary of Council of Foreign Bondholders to Sir E. Vincent, April 13, 1889, inclosing correspondence; "Documents relatifs à la Conversion de la Dette Privilégiée. Le Caire, Avril 1889;" Memorandum by Sir E. Vincent, April 18, 1889; Privileged bond No. 305,840 (marked A in pencil); Unified bond No. 0,139,397 (marked B in pencil); Khedivial Decree, November 18, 1876, establishing Privileged and Unified Debts; Law of Liquidation, July 17, 1880; Khedivial Decree, July 27, 1885; Egyptian Code Civil; Messrs. Harries, Wilkinson, and Raikes, April 23, 1889 (one Inclosure).

The facts of the case are as follows:—

In 1876 the Egyptian Government issued 17,000,000*l.* of Privileged bonds or Preference stock. This issue was made in virtue of a Khedivial Decree of the 18th November, 1876, and the service of the stock was guaranteed by the revenues of the Egyptian Railways and the revenues of the Port of Alexandria, and by a first charge on the other revenues assigned to the service of the Public Debt of Egypt.

In order to render the guarantee more secure, the Egyptian Government consented to hand over the Administration of the Railways and of the Port of Alexandria to an International Commission consisting of English, French, and Egyptian officials, and they further agreed that the Administration thus formed should remain in action until all the Preference Debt had been either redeemed by the operation of the sinking fund, or had been repaid.

It was, however, expressly stipulated that the Administration of the Port of Alexandria should be freed from the guarantee and detached from the International Administration so soon as 2,000,000*l.* of the Preference Debt had been either redeemed or repaid, and that the Railways should in like manner be freed by the redemption or repayment of a further 15,000,000*l.*

It should be mentioned that, at the time of the negotiations which culminated in the Decree of the 18th November, 1876, a scheme was under consideration and examination for the sale of the Egyptian railway system to an English Company, and the terms of the Decree were therefore carefully chosen with a view to reserve full power to the Egyptian Government to liberate the railways from the control of the bondholders by repayment of the bonds guaranteed on the railway revenue. This scheme was not eventually carried out, but it is submitted that the fact of its existence, contemporaneously with the negotiations above referred to, as well as the fact that several similar schemes have been brought forward during the last ten years, goes far to show that it was recognized and intended that the Egyptian Government should be at liberty to take back the railways at any time on repayment of that portion of the Preference Debt which was secured on them.

The portions of the Decree, of which it will be observed that certain Articles are printed on the face of the Preference bond (marked A in pencil) herewith, bearing particularly on the present question, are annexed below:—

"Art. 3. Il est établi une Administration spéciale des Chemins de Fer et du Port d'Alexandrie, qui sera placée sous la direction d'une Commission, comme il sera indiqué ci-après.

"Les revenus des Chemins de Fer et du Port d'Alexandrie seront directement appliqués au payement des intérêts, et de l'amortissement d'une série d'obligations Privilégiées, ayant une hypothèque spéciale sur les Chemins de Fer et le Port d'Alexandrie pour une somme de dix-sept millions de livres sterling, rapportant 5 °/₀ d'intérêts, amortissables en soixante-cinq ans, jouissance du 15 Octobre, 1876.

"Ces obligations seront offertes par préférence aux porteurs des Emprunts 1862, 1868, et 1873, en échange des obligations de ces emprunts, qui rapportent 7 °/₀, lesquelles obligations seront annulées.

"L'annuité nécessaire au service des obligations Privilégiées 5 °/₀, s'élevant à huit cent quatre-vingt-cinq mille sept cent quarante-quatre livres sterling, et payables en deux semestrialités de quatre cent quarante-deux mille huit cent soixante-douze livres sterling, chacune *formera la première charge sur les revenus des Chemins de Fer et du Port d'Alexandrie et restera, en tout cas, la première obligation de la Commission de la Dette Publique.*

"Art. 27. L'Administration, formée ainsi qu'il est dit ci-dessus, restera en fonctions jusqu'à ce que toutes les obligations Privilégiées spécialement créées aient été amorties et remboursées. Le Port d'Alexandrie étant compris dans cette garantie pour une somme de deux millions de livres sterling pourra être libéré de la garantie et détaché de l'Administration commune lorsque deux millions de livres de ces titres Privilégiés auront été amortis ou remboursés.

"Les Chemins de Fer étant compris dans cette garantie pour quinze millions de livres sterling en titres Privilégiés pourront être libérés par l'amortissement ou le remboursement de quinze millions de ces titres."

The financial measures of arrangement with the creditors of Egypt not proving sufficient, that country was compelled in 1880 to have resort to liquidation, and on the 17th July of that year a Law of Liquidation was enacted, with the consent of the Great Powers, recognizing the Privileged Debt, which increased that debt by a further issue of 5,743,800*l.*, the bonds being in identically the same terms (dates of issue excepted) as those of 1876.

The total of the Privileged Debt thus became 22,743,800*l.* nominal, and now (a portion having been already redeemed by the operation of the sinking fund) amounts to somewhat over 22,000,000*l.*

The operation of the sinking fund has, however, since 1885, been practically suppressed, for in July of that year the Egyptian Government was again compelled to resort to liquidation, and a Khedivial Decree was issued with the assent of the European Powers suspending the operation of the sinking fund, which can only be again put into force by further legislative action in Egypt, taken with the sanction of those Powers.

The credit of Egypt has greatly improved of late, and the Egyptian Government now desire to repay the Preference Debt, and to free the railways and the Port of Alexandria from the hypothecation to the bondholders in accordance, as that Government maintains, with the provisions of Article 27 of the Khedivial Decree of 1876.

It has been suggested, for instance, that the Privileged bonds, which have been recently above par and now stand at par or thereabouts, should be paid off, and a loan in substitution raised by an issue of new bonds bearing interest at, say, 4 per cent.; or, in so far as the holders assent, the change might be carried out as a simple conversion, a clause as to reduced interest being stamped upon the bonds.

It is, however, contended, on behalf of the bondholders, that Article 27 of the Decree of 1876, although it grants a right of repayment to the Egyptian Government, does not allow the exercise of this right except with the previous consent of the bondholders, or, in other words, that the Egyptian Government has not the right to repay the bonds at par, but only the right to repurchase them from the bondholders at whatever price the latter choose to demand.

The Egyptian Government, on the other hand, submit that the reference to sixty-five years merely indicates the term within which the Egyptian Government must repay the whole of the principal of the debt, and that the right of repayment conferred by Article 27 is a distinct alternative to the scheme of redemption by means of a sinking fund, and that the terms of the Article can only contemplate repayment at par, the word "repay" clearly indicating restitution to the creditors of the exact amount originally lent, or assumed to have been lent, on the face of the bonds by the bondholder to the borrowing Government.

This argument appears to be fortified by reference to the official text of the Decree, which is in the French language. Here the meaning of the word "rembourser" (properly translated in the English text by "repay" or "pay off") is even more clearly opposed to the idea of repurchase, which would be properly rendered in French by the word "racheter," "remboursement" meaning, as is submitted, repayment of the capital at par, and "rachat" being the proper word to denote repurchase by arrangement with the bondholders on such terms as they might be willing to accept.

It is worthy of observation, as supporting this view, that, in the official text of the Khedivial Decree of the 18th November, 1876, by which the Egyptian Unified Debt of 59,000,000*l.*, as well as the Privileged Debt, was established, the word "rachat" is actually employed, with reference to the Unified as distinguished from the Privileged bonds, in the sense indicated in the preceding paragraph of this letter.

(See Article 6 of that Decree endorsed on the Unified bond sent herewith, and marked B in pencil.)

Moreover, had it been intended that repayment (or "remboursement"), as distinguished from redemption by the operation of the sinking fund ("amortisation"), should only be permitted after further separate agreement with the bondholders, it would have been clearly unnecessary to mention a repayment of this nature in the contract at all, since it is at any time open to a creditor and debtor to settle existing debts by mutual arrangement; and by mutual arrangement alone could the Egyptian Government secure the acceptance of any such scheme by their individual creditors.

It seems further inconceivable that, at a time when negotiations were actually in progress for the purchase of the Egyptian railways by an English Company, the framers of the Decree should have used language which could permit any uncertainty to exist as to the price at which the charges on the railways could be paid off, and thus afford a small number of Preference bondholders an opportunity of resisting by extortionate demands a scheme in which all parties were interested, and which would have been, if carried out, to the great advantage of the general body of Preference holders.

It is true that there is no such express provision in the Law of Liquidation of 1880 as exists in Article 27 of the Decree of 1876 for the Railways or the Port

of Alexandria being detached from the guarantee by the repayment of the capital respectively represented by these securities; there is, however, no stipulation in a reverse sense in the Law of 1880, and the fact that this subsequent Law is altogether silent on the point may, as is submitted, be taken as a confirmation of the clause already existing in the previous Decree.

To contend that the sole power of paying off this Preference Debt now possessed by the Egyptian Government is that provided by the scheme of redemption under which the whole of the bonds were to be repaid by periodical drawings spread over a term of sixty-five years (see the Table of Amortization printed on the bonds) is to treat as mere surplusage the words "ou remboursés" which follow the word "amortis" in the original French text of Article 27.

It is submitted on the contrary that in the expression "amortis ou remboursés" the word "ou" is to be read disjunctively, and that a distinct alternative to the operation of the sinking fund is thereby provided in the form of the right of repayment of the bonds at par.

The amortization by means of the sinking fund has, as already stated, ceased to be in operation for the last three years, having been suspended and practically abolished by the Khedivial Decree of the 27th July, 1885, with the approval of the Great Powers.

If, therefore, the inability of the Egyptian Government to pay off the Privileged Debt at par be insisted upon, the effect will apparently be to render that debt practically irredeemable, and thus to make it a continuous burden upon the revenues of Egypt, a result which, considering the scope and object of all the several liquidations, and other arrangements of the finances of Egypt, which have from time to time been made with the approval of the Great Powers, cannot, it is clear, have been for a moment contemplated either by their Representatives or by those of the Egyptian Government.

As the whole arrangements with regard to the Privileged Debt of Egypt are subject to the approval of the Great European Powers, it may be assumed that the Egyptian Government will not take any steps in this matter until the assent of those Powers has been obtained; while in so far as the individual action of Her Majesty's Government is concerned their assent to any probable arrangement would be greatly dependent upon the abstract legal right of the Egyptian Government under their existing engagements with the bondholders to pay off the loan at par.

On the legal question thus raised it is submitted that the relations between the bondholders and the Government of Egypt are not governed by English law but by the law of Egypt—the State which contracted the loan—and that the power to pay off at par is a question of Egyptian law, governed primarily and in so far as they are expressly in point by the provisions of the Egyptian Civil Code, and in other respects subject generally to the recognized principles of jurisprudence regulating the discharge of obligations.

With reference to the Egyptian law upon the matter, I am to refer you more particularly to Articles 155, 199, and 201 of the Egyptian Civil Code, and to section 3 of the Egyptian Code of Procedure 773.

Various opinions of experts in Egyptian law are also submitted herewith, and will be found in the printed pamphlet entitled "Documents relatifs à la Convention de la Dette Privilégiée. Avril 1889. Le Caire: Imprimerie Nationale." It will be seen that the "Contentieux du Ministère des Finances," the "Comité du Contentieux de l'État," and the three independent jurists of eminence who have been consulted are unanimous in interpreting the obligations of the Egyptian Government to the bondholders as permitting a scheme of repayment of the kind now proposed.

I am also to inclose, for your information, a letter dated the 13th April, which has been received from Messrs. Haries, Wilkinson, and Raikes, a firm of solicitors acting on behalf of a large number of the bondholders.

It will be seen that Messrs. Harries and Co. adopt on behalf of the bondholders whom they represent the view that Article 27 of the Khedivial Decree of 1876 implies no power on behalf of the Egyptian Government to pay off the bonds at par against the will of the bondholders, or to compel them to receive payment of the principal moneys secured by the bonds otherwise than by half-yearly drawings spread over the term of sixty-five years according to the indorsed Table of Amortization; and that they inclose in support of this contention opinions which have been obtained from Sir Charles Russell, Q.C., M.P., Sir Horace Davey, Q.C., M.P., Mr. Finlay, Q.C., M.P., and other counsel practising at the English Bar.

As, however, the exact facts which were put before these eminent counsel,

and upon which they formed the opinions quoted, were not stated, Messrs. Harries and Co. were asked to be good enough to supply Her Majesty's Government with copies of the case or cases laid before their counsel. This they have now done, and a copy of their "case for opinion" is also sent herewith.

I am also to inclose, for your consideration, a Memorandum with which the Financial Adviser to His Highness the Khedive has favoured Her Majesty's Government, containing his observations and criticisms upon these opinions. (See Sir E. Vincent's Memorandum of the 18th April, 1889.)

I am to request that you will take the papers transmitted herewith into your consideration, and that you will favour Lord Salisbury with your opinion—

1. As to whether, having regard to the terms of the Khedivial Decree of November 1876, and to the tenour of the bonds themselves, the Egyptian Government is justified in paying off the bonds of the Privileged Debt at par if empowered to do so by a Decree to which the Great European Powers who recognized that debt subscribe their assent; and in the event of your answer to the above question being in the affirmative—

2. Whether, having regard to all the circumstances of the case, Her Majesty's Government may, as one of those Powers, properly assent to such a Decree.

I have, &c.
(Signed) P. CURRIE.

No. 88.

M. Catalani to the Marquis of Salisbury.—(*Received April* 26.)

20, *Grosvenor Square*, 25 *Aprile*, 1889.

Signor Marchese,

IL Ministro Egiziano degli Affari Esteri ha indirizzato all'Agente del Re nel Cairo una Circolare in data del 10 Marzo ultimo, colla quale si chiede l'assentimento delle Potenze per dichiarare insequestrabili gli stipendi dei funzionarii del Vicereame.

Il Governo del Re avendomi espresso il desiderio de conoscere l'intenzione del Governo della Regina in proposito, ho l'onore di rivolgermi alla ben nota cortesia dell'Eccellenza vostra, pregandola di voler mettermi, se sia possibile, in grado di dare al mio Governo l'informazione da lui richiesta.

Ringraziandola, &c.
(Firmato) T. CATALANI.

No. 89.

The Marquis of Salisbury to M. Catalani.

Foreign Office, April 26, 1889.

M. le Chargé d'Affaires,

IN reply to the inquiry contained in your note of the 22nd instant, I have the honour to acquaint you that Her Majesty's Government see no objection to the modifications which the Egyptian Government are anxious to introduce into Articles 1 and 4 of the Decree of the 2nd April, 1888, relating to the corvée, and that they have consequently agreed to them.

I have, &c.
(Signed) SALISBURY.

No. 90.

Sir E. Baring to the Marquis of Salisbury.—(Received April 27, 11·15 A.M.)

(No. 75. Secret.)
(Telegraphic.) *Cairo, April* 27, 1889, 9·55 A.M.

I AM getting anxious to hear the decision of the Government about the conversion. People here are becoming very impatient at the delay. I earnestly hope that the decision will be favourable. If the view of the bondholders is supported the effect will be very bad, not only among the official classes, but also with the native population generally, who are much interested about it, and are fully alive to the benefit which Egypt will derive from the conversion.

There cannot be a doubt as to the general equity of the measure, and on the purely legal point it will be impossible to convince any one here that the opinions of lawyers in England should be allowed to prevail against the unanimous opinions of the lawyers here, who are better acquainted both with the facts and with Egyptian and Continental law. I venture to press this view most earnestly, as an adverse decision would seriously affect our moral influence here, on which the successful working of the whole Egyptian machine depends to a very considerable extent. I trust also that the matter will be speedily settled.

No. 91.

The Marquis of Salisbury to Sir E. Baring.

(No. 49.)
(Telegraphic.) *Foreign Office, April* 27, 1889, 5·30 P.M.

PREFERENCE conversion: Your telegram No. 75, Secret, of 27th.

As the matter concerns past proceedings of Mr. Goschen, it has been placed in the hands of the First Lord of the Treasury, and by him referred to the Law Officers.

In view of the strong feelings expressed here, it is necessary we should provide ourselves with the opinion of the Law Officers on a question which turns on the interpretation of a contract.

No. 92.

Sir E. Baring to the Marquis of Salisbury.—(Received April 29.)

(No. 187. Confidential.)
My Lord, *Cairo, April* 18, 1889.

IN my despatch No. 169 of the 3rd instant I informed your Lordship that a dispute had arisen between the French and Egyptian Governments relative to the salary of M. Prompt, the newly-appointed member of the Railway Board.

This dispute threatened to become somewhat acrimonious. Count d'Aubigny did not contest the right of the President of the Railway Board to a higher salary than any of the members; on the other hand, he said that the arrangement made in 1886 implied that the salaries of the Europeans belonging to the Mixed Administrations should not be reduced below 2,000*l.* a-year.

I do not think that this argument is tenable.

On the other hand, the interest at stake, whether it be regarded from the English or Egyptian point of view, did not appear to me to be of sufficient importance to justify any risk of raising a diplomatic incident which would have given rise to a great deal of friction. I heard from several sources that the French Government were very much irritated about the matter. The moment was singularly inopportune for a dispute of this sort. Not only will the goodwill of the French Government be required in the event of the conversion of the Preference stock taking place, but there are also several other Egyptian questions now before the Powers in respect to which French opposition would certainly give a great deal of trouble. Moreover, Count d'Aubigny's personal attitude has always been very friendly and conciliatory, even to the extent of giving rise to many unfriendly criticisms amongst the more extreme portions of his own countrymen. I was, therefore, not sorry for an opportunity of helping him.

On the whole, therefore, I thought that I should be justified in advising the Egyptian

Government to yield. It was with some difficulty that I got Riaz Pasha to accept this advice, as he is greatly irritated with the French Government; but the matter has now been settled. M. Prompt will receive a salary of 2,000*l.* a-year.

Count d'Aubigny is much pleased with this solution; he has assured me that he will do his utmost to press forward the changes in the Corvée Decree and the Stamp Law, to both of which points the Egyptian Government attach a good deal of importance.

I trust your Lordship will approve of my action in this matter.

As I have mentioned in my previous despatch, I think that on the merits of the question the Egyptian Government were in the right; on the other hand, it was really not worth while to get involved in a dispute, which at one moment threatened to give a good deal of trouble, for the sake of 200*l.* a-year.

I have, &c.
(Signed) E. BARING.

No. 93.

Sir E. Baring to the Marquis of Salisbury.—(Received April 29.)

(No. 188.)
My Lord, *Cairo, April* 18, 1889.

IN accordance with the instructions contained in your Lordship's despatch No. 150 of the 10th July, 1888, I have the honour to transmit herewith a statement of the situation of the Guaranteed Loan up to the 19th April, for the use of Her Majesty's Treasury.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 93.

SITUATION de l'Emprunt Garanti au 19 Avril, 1889.

	£ E. m.	£ E. m.
Sommes affectées à l'amortissement—		
Reliquat de la demi-annuité de £ E. 157,500, échue le 1er Septembre, 1885, après payement du coupon intérimaire de £ E. 70,680 ..	..	84,649 500
Dotations d'amortissements—		
Du 1er Mars, 1886	15,736 500	
Du 1er Septembre, 1886	17,261 888	
Du 1er Mars, 1887	17,525 137	
Du 1er Septembre, 1887	17,794 237	
Du 1er Mars, 1888	19,135 350	
Du 1er Septembre, 1888	19,422 000	
Du 1er Mars, 1889	19,713 037	126,588 149
Intérêts des titres rachetés—		
Coupons du 1er Septembre, 1886	263 250	
„ du 1er Mars, 1887	269 100	
„ du 1er Septembre, 1887	1,341 112	
„ du 1er Mars, 1888	286 650	
„ du 1er Mars, 1889	295 425	2,455 537
Partie des excédents budgétaires des Exercices 1885–86..	..	70,751 031
		284,444 217

	Capital nominal.	Sommes employées.	
	£	£ E. m.	
Amortissements effectués—			
29 Mai, 1886	104,300	100,345 659	
30 Septembre, 1886	18,000	17,517 094	
1er Mars, 1887	18,400	17,760 600	
27 Août, 1887	91,700	89,925 284	
1er Mars, 1888	19,600	19,396 650	
1er Septembre, 1888	19,900	19,402 500	
1er Mars, 1889	20,500	20,057 772	
Total des amortissements	292,400	..	284,405 559
Titres en circulation au 19 Avril, 1889	9,131,600	..	
Montant nominal de l'émission	9,424,000	..	
Solde disponible pour les amortissements ultérieurs..	..	..	38 658

Le Directeur-Général de la Comptabilité,
(Signé) ELWIN PALMER.

Le 18 Avril, 1889.

No. 94.

Sir E. Baring to the Marquis of Salisbury.—(Received April 29.)

(No. 189.)

Cairo, April 18, 1889.

My Lord,

I HAVE the honour to transmit herewith a Statement, published in the "Journal Officiel" of yesterday by the Commissioners of the Public Debt, respecting the redemption by purchase of the Unified Debt.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 94.

Extract from the "Journal Officiel" of April 17, 1889.

CAISSE DE LA DETTE PUBLIQUE.

Amortissement par Rachat de la Dette Unifiée.

FONDS applicables à l'Amortissement.

			£ E. m.
1. Solde précédent (25 Avril, 1888)			18 022
2. Prescriptions acquises depuis cette date à ce jour			459 158
			477 180
Emploi des Fonds.	Capital Nominal des Titres rachetés. £ st.	Capital effectif employé, frais compris. £ st. s.	
Rachats faits en 1889	520	479 14	467 707
Solde à nouveau			9 473

Par suite de cet amortissement, le capital nominal de la Dette Unifiée est réduit à 55,988,920*l.*, nécessitant pour le coupon du 1er Mai prochain la somme de 1,119,778*l.* 8*s.*

Les Commissaires-Directeurs,
(Signé) G. LE CHEVALIER.
G. B. MACHIAVELLI.
A. MONEY.
Prince A. MOUROUSI.
Baron RICHTHOFEN.
Comte ZALUSKI.

Le Caire, le 16 *Avril*, 1889.

Pour copie conforme :
Le Contrôleur,
(Signé) W. MOG.

No. 95.

The Marquis of Salisbury to M. Catalani.

M. le Chargé d'Affaires,

Foreign Office, April 29, 1889.

IN reply to the inquiry contained in your letter of the 25th instant, I have the honour to state that Her Majesty's Government have assented to the issue of the Khedivial Decree, by which it is proposed to exempt all salaries and pensions from seizure for debt.

I have, &c.
(Signed) SALISBURY.

No. 96.

The Marquis of Salisbury to Sir E. Baring.

(No. 155.)

Foreign Office, May 1, 1889.

Sir,

I HAVE received and laid before the Queen your despatch No. 187, Confidential, of the 18th ultimo, upon the subject of the discussion which has taken place between

the French Agent and the Egyptian Government as to the amount at which the salary of M. Prompt, the newly-appointed member of the Railway Board, is to be fixed.

Your attitude and views on this question, as reported in your above-mentioned despatch, are approved.

I am, &c.
(Signed) SALISBURY.

No. 97.

The Marquis of Salisbury to Sir E. Malet.

(No. 22.)
(Telegraphic.) *Foreign Office, May* 2, 1889, 3·30 P.M.

EGYPTIAN Government desire to name Baron Richthofen one of their Delegates in the negotiations for conversion of Egyptian Preference Debt. Her Majesty's Government hope that this appointment will be sanctioned.

No. 98.

The Marquis of Salisbury to Sir E. Malet.—(Substance telegraphed.)

(No. 155. Ext. 22.)
Foreign Office, May 2, 1889.

Sir,

I HAVE to request your Excellency to inform the German Minister for Foreign Affairs that the Egyptian Government wish to name Baron Richthofen, the German Commissioner of the Caisse, as one of their Delegates to negotiate the conversion of the Egyptian Preference Debt, and that Her Majesty's Government hope that this appointment will be sanctioned by the German Government.

I am, &c.
(Signed) SALISBURY.

No. 99.

The Marquis of Salisbury to Sir E. Baring.

(No. 50.)
(Telegraphic.) *Foreign Office, May* 2, 1889, 3·30 P.M.

HER Majesty's Government are prepared to agree to proposed conversion of Preference Debt, and to the repayment of old bonds at par, if approved by the Powers.

The negotiations may be commenced immediately.

The consent of the German Government to the appointment of Baron Richthofen as Delegate of Egyptian Government has been requested.

No. 100.

The Marquis of Salisbury to Sir E. Baring.—(Substance telegraphed.)

(No. 156. Ext. 50.)
Foreign Office, May 2, 1889.

Sir,

WITH reference to your despatches Nos. 173 and 180 of the 4th and 10th ultimo respectively, and to previous correspondence, I have to state that Her Majesty's Government have, in communication with the Law Advisers of the Crown, carefully considered the question whether, having regard to the terms of the Khedivial Decree of November 1876, and the tenour of the bonds of the Privileged Debt, and all the circumstances of the case, the Egyptian Government would be justified in paying off those bonds at par, if empowered to do so by a Decree issued with the assent of the Great Powers of Europe who recognized that debt and were parties to the Egyptian Law of Liquidation promulgated on the 17th July, 1880.

Her Majesty's Government are advised that the right of the Egyptian Government to pay off the bonds constituting the Preference Debt must be determined with reference to the law of Egypt.

That having regard to the terms of the Khedivial Decree of November 1876, and the tenour of the bonds themselves, the Egyptian Government may, if empowered to do so by a Decree to which the Powers assent, pay off the bonds at par; and that, in view of all the circumstances of the case, Her Majesty's Government may properly assent to such a Decree.

I have accordingly to instruct you to inform the Egyptian Government that Her Majesty's Government are prepared to agree to the proposed conversion of the Preference stock, and to the repayment of the old bonds at par, if the other Powers concur.

The negotiations for the purpose may be commenced by the Egyptian Government at once, and, in accordance with their desire, I have requested Her Majesty's Ambassador at Berlin to express the hope that the German Government will sanction the appointment of Baron Richthofen, the German Commissioner of the Caisse, as one of the Egyptain Delegates to carry on the negotiations.

I am, &c.
(Signed) SALISBURY.

No. 101.

Sir E. Baring to the Marquis of Salisbury.—(Received May 3, 10·30 A.M.)

(No. 77.)
(Telegraphic.) *Berlin, May* 3, 1889, 9·5 A.M.

YOUR Lordship's telegram No. 50.

The Egyptian Government are very grateful to Her Majesty's Government for accepting the conversion scheme, and beg me to express their thanks.

No. 102.

Sir E. Malet to the Marquis of Salisbury.—(Received May 3, 11·58 A.M.)

(No. 18.)
(Telegraphic.) *Berlin, May* 3, 1889, 11·40 A.M.

YOUR Lordship's telegram No. 22 of yesterday.

Count Bismarck has no objection to Baron Richthofen's appointment.

No. 103.

Messrs. Harries, Wilkinson, and Raikes to Foreign Office.—(Received May 3.)

24, Coleman Street, London, May 3, 1889.

Sir,

REFERRING to your letter of the 18th and our reply of 23rd April last, our clients are awaiting with much anxiety the reply of Lord Salisbury to our original letter to Sir J. Fergusson of the 13th April last. The telegrams from Cairo which continue to be published (see "Standard" 30th April, inclosed) show that the Egyptian authorities intend persevering with their scheme notwithstanding its illegal character according to our counsel's opinions, and are pressing the matter forward to the utmost, and our clients therefore feel the necessity of taking further steps to protect their interests.

It has been suggested by an influential Member of Parliament that if a Resolution were moved in the House of Commons declaring that it is not advisable the Government should give its consent to this scheme it would meet with decided support; but our clients, being reluctant to do anything to embarrass the Goverment, have asked us to learn the views of Lord Salisbury, which we trust will be such as to render this course unnecessary.

We shall feel much obliged, therefore, if you could favour us with an early reply to our letter of the 13th April.

We are, &c.
(Signed) HARRIES, WILKINSON, AND RAIKES.

No. 104.

The Marquis of Salisbury to Sir E. Baring.

(No. 51.)
(Telegraphic.)

Foreign Office, May 4, 1889, 3·30 P.M.

MY telegram No. 50 of 2nd: Preference conversion.
German Government have no objection to appointment of Baron Richthofen.

No. 105.

Sir E. Baring to the Marquis of Salisbury.—(Received May 6.)

(No. 194.)
My Lord,

Cairo, April 24, 1889.

ON the receipt of your Lordship's despatch No. 135 of the 12th instant, relative to the proposed reduction of the salaries of the Domains Commissioners, I showed the letter from Sir Philip Currie to Messrs. Rothschild and Sons, therein contained, unofficially to Tigrane Pasha.

His Excellency now writes to me that in case an action is brought before the Law Courts, it might be of use to the Egyptian Government if a copy of the letter in question were communicated to them officially.

I have the honour to ask for your Lordship's instructions as to whether I may comply with Tigrane Pasha's request.

I have, &c.
(Signed) E. BARING.

No. 106.

Sir E. Baring to the Marquis of Salisbury.—(Received May 7, 1·30 P.M.)

(No. 78.)
(Telegraphic.)

Cairo, May 7, 1889.

THE Egyptian Government are anxious to get the new loan registered at the Bank of England. Could Her Majesty's Government do anything in the way of supporting this proposal at the Bank? It would materially affect price of issue.

No. 107.

Sir E. Baring to the Marquis of Salisbury.—(Received May 9, 12·30 P.M.)

(No. 80. Confidential.)
(Telegraphic.)

Cairo, May 9, 1889, 11·35 A.M.

THE French Consul-General, in conversation with me to-day, gave me to understand that his Government were not unfavourably disposed to the conversion of the Preference stock, but that they might ask some questions as to the manner in which the money economized by conversion would be employed. I think it difficult to take any very precise engagements on this point, but I would suggest that Sir E. Vincent be consulted.

The Consul-General also thought that it would help matters if, before any official request was made to the French Government, M. Waddington were sounded unofficially on the subject.

No. 108.

The Marquis of Salisbury to Sir E. Baring.

(No. 161.)
Sir,

Foreign Office, May 9, 1889.

IN reply to your despatch No. 194 of the 24th ultimo, I have to state that you are at liberty to give the Egyptian Government a copy of the letter which I caused to be addressed to Messrs. Rothschild on the 12th April, informing them that Her

Majesty's Government do not intend to take any action in the matter of the proposed reduction of the salaries of the Commissioners of the State Domains.

I am, &c.
(Signed) SALISBURY.

No. 109.

Foreign Office to Messrs. Harries, Wilkinson, and Raikes.

Gentlemen,

Foreign Office, May 9, 1889.

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of the 3rd instant relative to the proposed conversion of the Egyptian 5 per Cent. Preference Loan; and, in reply, I am to inform you that since the receipt of your previous letter of the 13th ultimo Her Majesty's Government have, in communication with the Law Officers of the Crown, carefully considered the question whether, having regard to the terms of the Khedivial Decree of November 1876, and the tenour of the bonds themselves, and in view of all the circumstances of the case, the Egyptian Government would be justified in paying off those bonds at par, if empowered to do so by a Decree issued with the assent of the Great Powers of Europe who recognized that debt, and were parties to the Egyptian Law of Liquidation promulgated on the 17th July, 1880.

Her Majesty's Government are advised that the right of the Egyptian Government to pay off the bonds constituting the Preference Debt must be determined with reference to the law of Egypt, and that, having regard to the terms of the Khedivial Decree of November 1876, and the tenour of the bonds themselves, the Egyptian Government may, if empowered to do so by a Decree to which the Powers assent, pay off the bonds at par.

Her Majesty's Government have accordingly informed the Government of the Khedive that they are prepared to agree to the proposed conversion of the Preference stock, and to the repayment of the old bonds at par, if the other Powers concur.

I am, &c.
(Signed) P. CURRIE.

No. 110.

Sir E. Baring to the Marquis of Salisbury.—(Received May 12, 4·45 P.M.)

(No. 81. Confidential.)
(Telegraphic.)

Cairo, May 12, 1889, 4·35 P.M.

COUNT D'AUBIGNY has just been to me to tell me privately that he hears from Paris that his Government will, when consulted on conversion question, raise several political questions analogous to those discussed in 1884.

I gathered from him in further conversation that what he means was that they would not improbably raise evacuation question, and more or less whole Egyptian question.

Ground they will take up is that the temporary occupation was partly due to the fact that financial order had to be restored, and that the rise in Egyptian credit shows that this task has been accomplished.

No. 111.

Sir E. Baring to the Marquis of Salisbury.—(Received May 13.)

(No. 205.)
My Lord,

Cairo, April 30, 1889.

I HAVE the honour to transmit herewith copy of a letter addressed by Riaz Pasha to the Minister of Finance, approving a proposal of the Finance Committee to wipe off arrears of taxes to the amount of about £ E. 168,000. The taxpayers will thus be relieved of a considerable burden of past debt.

I have, &c.
(Signed) E. BARING.

Inclosure 1 in No. 111.

Extract from the "Journal Officiel" of April 29, 1889.

MINISTÈRE DES FINANCES.

Traduction d'une Lettre en date du 25 Avril, 1889, adressée au Ministère des Finances par la Présidence du Conseil des Ministres.

DANS sa séance du 18 Avril courant, le Conseil des Ministres a pris connaissance de la note du Comité des Finances du 17 du même mois, par laquelle il expose que les arriérés dus au Gouvernement sur les Contributions Indirectes telles que : impôts professionnels, impôts sur les moutons et chèvres, droits sur les pressoirs à huile, et impôts extraordinaires des terrains irrigués par le Canal Ibrahimieh, s'élèvent du 1er Janvier, 1880, au 31 Décembre, 1888, à la somme de £ E. 144,000, que les arriérés dus sur la culture des tabacs et tombacs s'élèvent du 1er Janvier, 1880, au 31 Décembre, 1887, à la somme de £ E. 24,000, soit un total de £ E. 168,000, et qu'en vue des difficultés que rencontre le recouvrement de ces arriérés il propose ce qui suit :—

1. De procéder à la radiation, sans vérification, des arriérés dus depuis le 1er Janvier, 1880, jusqu'à fin 1888, sauf en ce qui concerne les impôts professionnels des contribuables du Caire et d'Alexandrie imposés au-dessus de P T. 200 l'an ;

2. La radiation, sans vérification, des arriérés dus sur la culture des tabacs et tombacs.

Le Comité des Finances ajoute que la radiation de ces arriérés serait un grand soulagement pour les contribuables, et d'un grand avantage au fisc puisqu'elle faciliterait le recouvrement des impôts dus.

La note fait ressortir, enfin, que la Caisse de la Dette Publique a consenti à cette radiation, en ce qui concerne les quatre provinces affectées et dont les arriérés s'élèvent à environ £ E. 17,000

Après délibération, le Conseil a approuvé la radiation des susdits arriérés de la manière précitée.

Je prie, en conséquence, votre Excellence de vouloir bien donner à cette décision la suite qu'elle comporte.

Le Président du Conseil des Ministres,
(Signé) RIAZ.

No. 112.

Sir E. Baring to the Marquis of Salisbury.—(Received May 13.)

(No. 206.)

My Lord, *Cairo, April 30, 1889.*

I HAVE the honour to transmit herewith a Statement showing the amount of the receipts from the revenues assigned to the Unified Debt, which have been paid into the Caisse de la Dette Publique up to the 25th of this month.

Your Lordship will observe that, after providing for the payment of the coupon due on the 1st May, a sum of 478,494*l.* is carried forward for the payment of the coupon on the 1st November. The corresponding sum carried forward in 1887 amounted to 286,980*l.*, and in 1888 to 492,288*l.* The condition of these revenues has, therefore, shown a distinct improvement in the last two years.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 112.

Extract from the "Journal Officiel" of April 29, 1889.

CAISSE DE LA DETTE PUBLIQUE.

État au 25 Avril, 1889, des Sommes versées à la Caisse de la Dette Publique sur les Revenus affectés.

DETTE UNIFIÉE.

	£	s.	d.
Échéance du 1er Mai, 1889—			
Capital restant à amortir	55,988,920	0	0
Dotation d'intérêts	1,119,778	8	0

Désignation des Provinces et Administrations dont les Revenus sont affectés au Service de la Dette Unifiée.	Sommes versées— Du 1er au 25 Avril, 1889.	Sommes versées— Du 26 Octobre, 1888, au 31 Mars, 1889.	Totaux au 25 Avril, 1889.
	£ E. m.	£ E. m.	£ E. m.
Province de Garbieh	78,522 654	510,366 071	588,888 725
„ Menoufieh	22,095 490	343,803 703	365,899 193
„ Béhéra	6,926 672	226,641 127	233,567 799
„ Siout	32,982 646	100,764 378	133,747 024
Douanes	25,911 566	216,338 515	242,250 081
Droits sur les tabacs d'importation	20,230 000	184,632 000	204,862 000
Versement du Ministère des Finances du 7 pour cent. des provinces pour 1888 ..	..	..	18,147 700
	186,669 028	1,582,545 794	1,787,362 522
A déduire—			
1. Prélèvement de la demi-annuité de l'échéance du 1er Mars dernier de l'Emprunt Garanti 3 pour Cent, soit, 157,500*l.*		153,562 500	
2. Prélèvement pour compléter le coupon du 15 Avril courant de la Dette Privilégiée		75,484 500	
			229,047 000
			1,558,315 522
Somme nécessaire au paiement du coupon de la Dette Unifiée, au 1er Mai prochain, comme ci-dessus		£ s. d. 1,119,778 8 0	1,091,783 940
Reste excédent		..	466,531 582
			Soit, 478,494*l.*

Les Commissaires-Directeurs,
(Signé) G. B. MACHIAVELLI
G. LE CHEVALIER.
A. MONEY.
Prince A. MOUROUSI.
Comte ZALUSKI.

Pour copie conforme :
Le Contrôleur,
(Signé) W. MOG.
Le Caire, le 27 Avril, 1889.

No. 113.

Sir E. Baring to the Marquis of Salisbury.—(Received May 13.)

(No. 211.)

My Lord, *Cairo, May 2, 1889.*

I HAVE the honour to transmit herewith a Report by the Commissioners of the Debt on the state of the Guaranteed Loan up to the 31st December, 1888. Your Lordship will observe that at that date the charges that remained to be met out of the loan amounted to £ E. 258,810.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 113.

Supplement to the "Journal Officiel" of May 1, 1889.

Emprunt Garanti 3 Pour Cent.

Rapport adressé à Son Altesse le Khédive par MM. les Commissaires de la Caisse de la Dette Publique.

Monseigneur,

CONFORMÉMENT au Décret du 27 Juillet, 1885, nous avons l'honneur de présenter à votre Altesse dans les deux États ci-annexés :—

1. La situation des recettes et dépenses effectuées sur les fonds de l'Emprunt Garanti jusqu'au 31 Décembre, 1888.

2. L'imputation aux charges énumérées par le Décecret sus-énoncé tant des sommes payées par nous sur l'emprunt au Gouvernement que des autres ressources à sa disposition pour l'acquit des dites charges.

Comme nous l'indiquions déjà dans notre Rapport du 17 Juillet dernier, les fonds de l'Emprunt Garanti sont épuisés et l'actif affecté à l'acquit des charges énumérées par la Convention de Londres ne se compose plus que des réalisations pouvant être obtenues par la vente des biens libres catalogués et par les recouvrements sur les arriérés de 1879.

	£ E.	m.
Ces charges se trouvaient réduites au 31 Décembre, 1888 à ..	258,810	161
Se subdivisant ainsi—		
Déficit de 1884 et années antérieures	60,052	845
Déficit de 1885 (million du Soudan)	45,209	332
Travaux d'irrigation	153,547	984
Total	258,810	161

Tout ce que les réalisations donneront au-delà de ce total de £ E. 258,810,161 est destiné à l'amortissement de l'Emprunt Garanti 3 pour Cent.

Votre Altesse sait que par Décret du 30 Avril, 1880, nous avons éte autorisés a consentir sur les prélèvements de l'Emprunt 4½ pour Cent jusqu'à concurrence de £ E. 275,000 des avances remboursables au moyen de ces réalisations.

Nous avons, &c.

(Signé) G. LE CHEVALIER.
G. B. MACHIAVELLI.
A. MONEY.
Prince A. MOUROUSI.
Baron RICHTHOFEN.
Comte ZALUSKI.

Caire, le 20 Avril, 1889.

(État A.)—SITUATION de l'Emprunt Garanti 3 pour Cent au 31 Décembre, 1888.

Recettes.	£ E. m.	Dépenses.	£ E. m.
Solde disponible au 31 Décembre, 1887 ..	261,183 603	Remboursement au Ministère des Finances pour frais faits à l'occasion de l'émission de l'Emprunt Garanti 3 pour Cent ..	329 653
Intérêts produits par les fonds de l'emprunt placés chez MM. de Rothschild (1 pour cent au-dessous du taux d'escompte de la Banque d'Angleterre)	762 977	Versements au Gouvernement ou pour son compte à l'acquit des charges spécifiées par l'Article 9 du Décret du 27 Juillet, 1885 ..	532,138 276
	261,946 580		
Il a été fait face à la différence entre les recettes et les dépenses au moyen tant des ressources affectées concurremment avec l'Emprunt Garanti 3 pour Cent aux charges spécifiées par la Convention de Londres, que des avances consenties sur le produit de l'Emprunt 4½ pour Cent (Article 9 du Décret du 30 Avril, 1888)	270,521 349		
Total	532,467 929	Total	532,467 929

(État B.)—*Imputation aux Charges spécifiées par l'Article 9 du Décret du 27 Juillet, 1885, des Sommes versées au Gouvernement sur l'Emprunt Garanti jusqu'au 31 Décembre, 1888, ainsi que des autres Ressources concurremment affectées à l'acquit des dites Charges.*

ACTIF.

			1885.	1886.	1887.	1888.
			£ E. m.	£ E. m.	£ E. m.	£ E. m.
I. Sommes produites par l'Emprunt Garanti 3 pour Cent ..			2,913,939 580	586,012 500	785,063 416	261,946 580
II. Versé au Gouvernement sur les fonds de l'Emprunt 4½ pour Cent (Décret du 30 Avril, 1888)			..	..	..	270,521 349
III. Réalisations diverses de 1885, 1886, et 1887 (détail dans le Rapport du 15 Avril, 1888)			532,505 000	151,450 000	132,303 000	..
VI. Recouvrements de 1888 sur les arriérés à fin 1879 (Indications du Ministère des Finances)—						
Recettes.		£ E.				
Solde à fin 1887 reporté en 1888		516				
Recouvrements sur dettes des villageois ..		29,880				
Reversements par la Caisse sur les fonds de la Liquidation, d'une somme de £ E. 3,000 prélevée précédemment, sur les recouvrements d'arriérés		3,000				
Produit de la vente des £ E. 3,620 de Dette Unifiée en dépôt à la Banque Impériale Ottomane (voir Rapport du 7 Août, 1887)		2,855				
Divers		1,856				
		38,107				
Dépenses.	£ E.					
1. Pour traitements du service de recouvrements d'arriérés	184					
2. Dépenses et remboursements divers ..	215					
3. Somme mise en réserve en fin d'année pour être reportée en 1889 ..	517	916				
Reste comme montant net des recouvrements de 1888		37,191	..	..	..	37,191 000
V. Réalisation en 1888 des immeubles libres compris précédemment dans l'actif de la Liquidation et qui en ont été distraits par la Convention de Londres. (Indications du Ministère des Finances.)						
Recettes.		£ E. m.				
Solde à fin 1887 reporté en 1888		460 000				
Recouvrements en 1888 sur les arriérés dus par les biens catalogués vendus dans les années antérieures		4,716 000				
Recouvrements sur les ventes de terres catalogués effectuées en 1888		63,586 000				
		68,762 000				
Dépenses.	£ E. m.					
Frais de service du bureau des immeubles libres	15,670 341*					
Restitution pour ventes annulées	507 000					
		16,177 341				
		52,584 659	..	..	..	52,584 659
VI. Réalisation des biens confisqués aux rebelles et qui, adjoints à l'actif de la Liquidation par le Décret du 14 Décembre, 1882, en ont été distraits par la Convention de Londres. (Indications du Ministère des Finances.)			..	..	..	8 341
Totaux			3,446,444 580	737,462 500	917,366 416	622,251 929
Total général de l'actif			£ E. 5,723,525 425			

* Cette somme comprend les dépenses du service des biens non catalogués dont le produit appartient au fonds de réserve créé par le Décret du 12 Juillet, 1888. Il a été convenu (lettres échangées entre le Ministère des Finances et la Commission, en date des 11 et 18 Février, 1889) que les dépenses seraient à l'avenir réparties proportionnellement entre les biens catalogués et les biens non-catalogués et que les premiers seraient remboursés de la part trop forte mise à leur charge en 1888.

Passif.

Déficit de 1884 *et Années antérieures.*

		Prévisions.	Imputations de— 1885.	1886.	1887.	1888.
		£ E.	£ E.	£ E.	£ E. m.	£ E. m.
Prévisions du Décret du 27 Juillet, 1885		2,657,000	..	..	..	..
Imputations de 1885, 1886, et 1887— (Détail dans le Rapport du 15 Avril, 1888)		..	2,519,182	Néant	64,138 402	..
Imputations de 1888—						
1. Remboursements de retenues antérieures à 1884	£ E. m. 3,888 477					
2. Paiements en acquit de condamnations judiciaires contre le Gouvernement pour des créances postérieures à la Loi de Liquidation, mais antérieures à 1884—						
Affaire Poulides contre Chemins de Fer	£ E. m. 1,899 274					
Affaire Razzas contre Ministère des Finances	2,072 553					
Affaire Aslan	27 274					
„ Pangalaki	548 876					
„ Pantellini	4,412 299					
	8,960 276					
3. Remboursement des arriérés du 22 Août, 1882, au 4 Juillet, 1883, sur le traitement du Gouverneur du Soudan Occidental ..	528 000					
4. Prix d'une maison prise à Zobehr Pacha avant les événements du Soudan ..	250 000					
Total	13,626 753	..	..	..	..	13,626 753
Totaux		2,657,000	2,519,182	Néant	64,138 402	13,626 753
Total général		..	£ E. 2,596,947 155			

Déficit de 1885.

		Prévisions.	Imputations de— 1885.	1886.	1887.	1888.
		£ E. m.	£ E. m.	£ E. m.	£ E. m.	£ E. m.
Charges a imputer sur ce Chapitre :						
1. Excédent des dépenses administratives de 1885 sur leur chiffre normal de £ E. 5,237,000		100 000	100 000	..	..	..
2. Construction de la nouvelle Douane et du Palais de Justice— Imputations définitives de 1885, 1886, et 1887 (détail dans le Rapport du 15 Avril, 1888)		100 000	32 107	55 931	11 962	..
3. Dépenses nécessitées par les événements du Soudan évaluées en prévision		1,000 000	..	..	..	..
Dépenses de 1885, 1886, et 1887 (détails aux Rapports du 15 Avril et du 17 Juillet, 1888)		..	242 015	354 761	287 406	..
Dépenses de 1888.	£ E. m.					
(1.) Dépenses militaires pour les troupes stationnaires à Assouan, Wadi-Halfa, et Korosko.	9,883 462					
(2.) Paiement à la Douane des droits afférents aux introductions faites par l'armée Anglaise du 1er Août, 1882, au 16 Janvier, 1884, et que nous avons cru équitable de mettre à la charge du million du Soudan, à raison de la part déjà supportée par le Gouvernement Britannique dans les dépenses du Soudan et de son refus de faire un nouveau versement pour les droits de douane dont s'agit ..	8,396 000					
(3.) Paiement de subsides aux tribus amies à Souakim	7,410 193					
Quoique en vertu des arrangements mentionnés dans notre Rapport du 7 Août, 1887, les dépenses de Souakim ne soient pas imputables sur le million, nous avons accepté l'imputation de la dépense susindiquée, à raison du refus du Gouvernement Britannique, auquel le Gouvernement Égyptien en avait réclamé le montant, de la rembourser, refus motivé par ses versements antérieurs portés au compte du million.						
(4.) Prix de 32,000 médailles de bronze conférées par Son Altesse le Khédive aux troupes ayant servi au Soudan..	3,917 500					
(5.) Remboursement d'assignations délivrées par le Gouvernorat de Khartoum sur le Ministère des Finances	32,639 632					
(6.) Dépenses diverses— Entretien du chemin de fer de la frontière ; allocations aux chefs des tribus amies de Korosko, Wadi-Halfa, &c. ; prix de pain et de viande fournis aux troupes irrégulières stationnées à la frontière ; allocations aux familles des officiers, sous-officiers, et soldats envoyés précédemment au Soudan et dont le décès n'est pas encore constaté ; traitement des employés chargés de la liquidation des affaires du Soudan, &c.	8,361 881					
	70,608 668	..	..	..	..	70,608 668
Totaux		1,200 000	374 122	410 692	299 368	70,608 668
Total général		..	£ E. 1,154,790 668			

Travaux d'Irrigation.

	Prévisions.	Imputations de— 1885.	1886.	1887.	1888.
	£ E.	£ E.	£ E. m.	£ E. m.	£ E. m.
Sur ce chapitre, montant en prévision à	1,000	..	..	..	..
Rien n'a été imputé en 1885	..	Néant	..	..	..
Imputation définitive de 1886 (détails aux Rapports des 7 Août, 1887, et 15 Avril, 1888	..	..	111,215 190	..	..
Dépenses de 1887 *et de* 1888.					
Sont définitivement imputées pour ces deux années les dépenses suivantes dûment autorisées par Décrets et régulièrement justifiées :—					

	1887.	1888.
	£ E.	£ E. m.
Personnel	13,267	13,692 583
Frais de déplacement	2,370	1,512 274
Menus frais	1,121	950 396
Réservoir de Damiette	6,214	..
Écluse de Mansourah	7,143	4,360 694
Pont-écluse de Mit-el-Gamr ..	7,209	8,632 801
,, de Kalangil	7,180	10,294 547
Rayah Charkieh	166,300	..
Pont tournant Mansourieh ..	1,491	445 698
Barrage de Rosette	83,408	31,607 397
Écluse du Rayah Menoufieh ..	11,332	3,890 325
,, ,, Santah	4,415	1,745 013
,, ,, Bagourieh ..	7,538	5,520 792
,, ,, Shoubrabas ..	4,667	7,343 092
,, ,, Godaba ..	6,339	1,801 035
Pont tournant Dalgamoun ..	1,100	1,800 000
,, ,, Santah	597	2,515 436
Canal de Rosette	5,431	..
,, de Sahel Markaz	16	..
Écluse de Kafr-el-Dawar	2,684	9,568 066
Siphon de Fesan	13,386	4,679 412
Travaux divers	6,030	3,391 546
Outillages divers	6,544	5,989 940
Barrage de Damiette	..	108,440 603
Rayah Tewfikieh	..	137,617 659
Siphon Kilomètre 7 Mahmoudieh ..	..	3,654 094
Fractions de livres négligées dans les imputations précédentes ..	..	1 423
Total	365,782	369,454 826

	Prévisions.	1885.	1886.	1887.	1888.
				365,782 000	369,454 826
Totaux	1,000	Néant	111,215 190	365,782 000	369,454 826
Total général	..	£ E. 846,452 016			

Indemnités pour Rachat de Pensions.

	Prévisions.	Imputations de— 1885.	1886.	1887.	1888.
	£ E.	£ E.	£ E. m.	£ E. m.	£ E. m.
Sur ce chapitre, montant en prévision à	550,000	..	..	..	..
Rien n'a été imputé en 1885	..	Néant	..	..	..
Imputé en 1886, 1887, et 1888 (détails aux précédents Rapports)	..	..	79,057 900	428,215 982	42,726 118
Totaux	550,000	Néant	79,057 900	428,215 282	42,726 118
Total général	..	£ E. 550,000			

Fonds Réservés pour le Service de la Trésorerie.

	Prévisions.	Imputations de— 1885.	1886.	1887.	1888.
	£ E.	£ E.	£ E.	£ E.	£ E.
Prévision	500,000	..	..	..	..
Le montant total de cette prévision a été mis à la disposition du Ministère des Finances	..	..	..	..	500,000
Total	500,000	..	..	..	500,000
Total général	..	£ E. 500,000			

Récapitulation.

ACTIF.

	1885.	1886.	1887.	1888.
	£ E. m.	£ E. m.	£ E. m.	£ E. m.
Versé sur l'Emprunt au Gouvernement	2,913,939 580	586,012 500	785,063 416	261,946 580
Versé au Gouvernement sur l'Emprunt 4½ pour Cent ..	..	..	..	270,521 349
Produits d'autres ressources	532,505 000	151,450 000	132,303 000	89,784 000
Totaux	3,446,444 580	737,462 500	917,366 416	622,251 929
Total général	£ E. 5,723,525 425			

PASSIF.

	1885.	1886.	1887.	1888.
	£ E. m.	£ E. m.	£ E. m.	£ E. m.
Déficit de 1884 et années antérieures	2,519,182 000	Néant	64,138 402	13,626 753
Déficit de 1885	374,122 000	410,692 000	299,369 000	70,608 668
Travaux d'irrigation	Néant	111,215 190	365,782 000	369,454 826
Indemnités pour rachat de pensions	Néant	79,057 900	428,215 982	42,726 118
Fonds réservés pour le service de la Trésorerie	..	..	..	500,000 000
Solde entre les mains du Gouvernement au 31 Décembre, 1888 .	..	..	..	75,335 586
Totaux	2,893,304 000	600,965 090	1,157,504 384	1,071,751 951
Total général	£ E. 5,723,525 425			

No. 114.

Sir E. Baring to the Marquis of Salisbury.—(Received May 13.)

(No. 212.)

My Lord, *Cairo, May* 2, 1889.

THE annual Report of the Administration of Railways, Telegraphs, and Port of Alexandria has just been published for the year 1888. It will perhaps be more convenient if, instead of forwarding it to your Lordship as in former years, I endeavour briefly to summarize its more important features.

The total receipts from the Railways amounted in 1888 to £ E. 1,270,000, being about £ E. 26,500 less than those received in the preceding year. This diminution is almost entirely due to the fact that the Indian mail no longer goes overland from Alexandria to Suez, but proceeds direct through the Canal. The smallness of the cotton crop also caused a considerable falling-off in the receipts derived from the transport of cotton, but this was made up by the increase in the receipts from the transport of cereals. The number of passengers in the year exceeded by about 200,000 the figure for 1887. The present condition of the rolling stock is still far from satisfactory, but considerable progress was made in the course of the year towards improving it. The repairing of the permanent way has not advanced as rapidly as was hoped, owing to the great delay on the part of the contractors in Europe in delivering the necessary material. Hitherto the Administration has been much hampered in its attempt to attract the trade between Upper Egypt and Cairo, on account of the distance of its line from the town of Cairo. A project is now under consideration, and will, it is hoped, be shortly put into execution for connecting the lines on either side of the Nile by a bridge in the neighbourhood of Cairo, which would put an end to the inconvenience at present experienced.

The receipts from telegrams amounted to £ E. 26,000 in 1888, or about £ E. 8,500 less than in 1887. This difference is due to a falling-off in the number of official telegrams and of those sent by the Army of Occupation. Private telegrams show an increase of £ E. 5,000.

The receipts from the Port of Alexandria were £ E. 114,500, showing an increase of £ E. 3,000 over those of 1887, while the expenditure was diminished by £ E. 8,000. This very satisfactory result is due to the amalgamation of the Service of the Port with the Administration of Ports and Lighthouses, effected in July 1888. A still more considerable decrease in the expenditure is anticipated in 1889.

These are the main features of the Report. Taking into consideration the unfavourable circumstances with which the Administration had to contend, the result may be regarded as fairly satisfactory and as reflecting credit upon the manner in which the Administration has executed its task in the past year.

I have, &c.
(Signed) E. BARING.

No. 115.

Sir E. Baring to the Marquis of Salisbury.—(Received May 13.)

(No. 215.) *Cairo, May* 5, 1889.

My Lord,

I HAVE the honour to transmit herewith the Statement for April last, published by the Commissioners of the Public Debt in the "Journal Officiel" of yesterday, respecting the Guaranteed 3 per Cent. Loan, the Privileged and Unified Debts, and the 4½ per Cent. Loan.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 115.

Extract from the "Journal Officiel" of May 4, 1889.

Caisse de la Dette Publique.

Mois d'Avril 1889.

État Mensuel des Sommes versées à la Caisse de la Dette Publique.

Emprunt Garanti 3 pour Cent.

	£
Échéance du 1er Septembre, 1889— Capital restant à amortir	9,131,600
Dotation d'intérêts	136,974
Dotation d'amortissement	20,526
Total égal à la demi-annuité à prélever le 15 Août, 1889, comme première charge sur les revenus affectés au service de la Dette Privilégiée et de la Dette Unifiée	157,500

Dette Privilégiée.

	£
Échéance du 15 Octobre, 1889— Capital restant à amortir	22,296,800
Dotation d'intérêts	557,420

Nota.—Le complément des dotations de la Dette Privilégiée est prélevé sur les revenus de la Dette Unifiée.

Désignation des Administrations dont les Revenus sont affectés au Service de la Dette Privilégiée.	Sommes versées du 15 au 30 Avril, 1889.
	£ E. m.
Chemins de fer, Télégraphes, et Port d'Alexandrie	29,250 000
	Soit, 30,000*l.*

Dette Unifiée.

	£ s.
Échéance du 1er Novembre, 1889— Capital restant à amortir	55,988,920 0
Dotation d'intérêts	1,119,778 8

Désignation des Administrations et Provinces dont les Revenus sont affectés au Service de la Dette Unifiée.	Sommes versées du 26 au 30 Avril, 1889.	Totaux au 30 Avril, 1889.
	£ E. m.	£ E. m.
Province de Garbieh	..	..
" Menoufieh	..	..
" Béhéra	..	..
" Siout	..	..
Douanes	7,250 000	7,250 000
Droits sur les tabacs d'importation	6,850 000	6,850 000
Excédent au 25 Avril, 1889	..	466,531 582
	14,100 000	480,631 582
		Soit, 492,955*l.*

Emprunt 4½ pour Cent.

	£ s. d.
Échéance du 20 Juin, 1889— Capital d'émission	2,330,000 0 0
Dotation d'intérêts	52,425 0 0
Dotation d'amortissement	14,241 13 4
Total égal à la demi-annuité	66,666 13 4

Au service de cet Emprunt est affectée une annuité de £ E. 130,000 payable par versements mensuels du Ministère des Finances—

	£ E. m.
Versement d'Avril 1889	10,833 334
Versements de Janvier-Mars	32,499 999
Totaux au 30 Avril, 1889	43,333 333
Soit	44,444*l.*

Les Commissaires-Directeurs,
(Signé) A. MONEY.
G. LE CHEVALIER.
G. B. MACHIAVELLI.
Prince A. MOUROUSI.
Comte ZALUSKI.

Pour copie conforme :
Le Contrôleur,
(Signé) W. Mog.

Le Caire, le 1er *Mai*, 1889.

No. 116.

Messrs. Harries, Wilkinson, and Raikes to the Marquis of Salisbury.—(Received May 15.)

My Lord, 24, *Coleman Street, London, May* 14, 1889.

WE beg to acknowledge receipt of your letter of the 9th instant written in reply to ours of the 13th ultimo on the subject of the proposed conversion of the Egyptian 5 per Cent. Preference Loan.

We have communicated the contents of this letter to our clients, and they have requested us to write you further on the matter.

It appears to us that there is a direct conflict of opinion upon the question at issue between the eminent Counsel, whom we have consulted, and the Law Officers of the Crown, and as we have already supplied you with copies of our Case, and of the Opinions which we have obtained, we venture to ask your Lordship to favour us with copies of the Case submitted to and Opinions expressed by the Law Officers of the Crown.

We have, &c.

(Signed) HARRIES, WILKINSON, AND RAIKES.

No. 117.

Foreign Office to Messrs. Harries, Wilkinson, and Raikes.

Gentlemen, *Foreign Office, May* 18, 1889.

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of the 14th instant, asking to be furnished with copies of the Case submitted to the Law Officers of the Crown, and of the Opinion given by them in regard to the proposed repayment of the Egyptian 5 per Cent. Preference Loan.

I am to say that the references to the Law Officers and their Reports are regarded as confidential documents, and Lord Salisbury therefore regrets that he cannot make any fuller communication to you with regard to their actual wording than that contained in the letter from this Department of the 9th instant. I am, however, to state that his Lordship's object in asking you for a copy of the Case on which the Opinions forwarded to him by you had been given was in order that in fairness to the bondholders it might be laid before the Law Advisers of the Crown. The Case and Opinions thereon were so laid before them, and also the following public documents :—

Khedivial Decree, 18th November, 1876.
A Privileged Bond.
A Unified Bond.
Law of Liquidation, 17th July, 1880.
Khedivial Decree, 27th July, 1885.
Egyptian Civil Code, Articles 155, 199, 201.
Egyptian Code of Procedure 773, sec. 3.

I am, &c.

(Signed) P. CURRIE.

No. 118.

Sir E. Baring to the Marquis of Salisbury.—(Received May 20.)

(No. 218.)

My Lord, *Cairo, May* 7, 1889.

I HAVE the honour to inclose herewith copy of an Agreement which has been arrived at between the Egyptian Government and the Commissioners of the Caisse de la Dette with regard to the construction of certain new lines of railway and works in connection therewith in Egypt.

The total estimated cost of the undertaking is £ E. 798,300, of which sum £ E. 568,975 is for the railway lines, stations, &c., £ E. 150,000 for a new bridge across the Nile at Boulac, and £ E. 79,325 for rolling stock for the new lines.

The whole of these works are to form a part of the general guarantee of the Privileged Debt. They are to be paid for by means of annuities, for which the necessary funds will be provided by an increase of 4 per cent. in the rates on all the Egyptian lines of railway, added to the sum of £ E. 54,000 which is the amount of the estimated receipts from the new lines.

When the amount thus produced is in excess of £ E. 94,000, the surplus is to be placed to the credit of the ordinary railway receipts of the year. If, on the other hand, the total does not reach £ E. 94,000, the Egyptian Government undertakes to make it up to that sum from its administrative Budget.

Of the £ E. 94,000, £ E. 24,000 is to be repaid annually to the Railway Administration for the working expenses of the new lines, £ E. 63,000 will be affected to the payment of the annuities for the bridge and railway works generally, and £ E. 7,000 to provide for the new rolling stock.

Until these works have been paid for and the annuities have been completely extinguished, the Railway Administration will not be entitled to the 45 per cent. provided by the London Convention for working expenses upon this sum of £ E. 94,000.

A Commission has been appointed to prepare the "Cahier des Charges" and to invite tenders for the works. At least three months' notice is to be given for preparation of tenders.

This Convention will only come definitely into force as soon as the Council of Ministers shall have accepted the tenders and the Commissioners of the Caisse shall have given their consent to the number of annuities to be paid.

I have, &c.

(Signed) E. BARING.

Inclosure in No. 119.

Arrangement.

ENTRE le Gouvernement Égyptien et la Commission de la Dette Publique a été convenu ce qui suit :—

Article 1er. Le Gouvernement et la Commission de la Dette sont d'accord pour l'exécution, aux conditions ci-après indiquées, des travaux suivants, savoir :—

	£ E.
(*a.*) Ligne de Chibine-el-Kôm à Menouf—	
Coût estimatif des voies, bâtiments, ouvrages, &c.	47,825
(*b.*) Ligne de Damanhour à Rahmanieh—	
Coût estimatif des voies, bâtiments, ouvrages, &c.	42,450
(*c.*) Ligne de Médinet-Fayoum à Senourès—	
Coût estimatif des voies, bâtiments, ouvrages, &c.	31,700
(*d.*) Ligne d'Assiout à Guerga—	
Coût estimatif des voies, bâtiments, ouvrages, &c.	447,000
	568,975
(*e.*) Pont du chemin de fer sur le Nil, entre Boulac (Caire) et Embabeh— Pont à voie unique comportant passage pour piétons et bêtes de somme, ouverture environ 500 mètres, section pivotante pour usage de la navigation : coût	150,000
	718,975
(*f.*) Matériel roulant : coût estimatif	79,325
Total	798,300

Art. 2. Le pont et les nouvelles lignes feront partie du gage général de la Dette Privilégiée.

Il sera fait face au remboursement du coût des travaux énumérés ci-dessus par les moyens indiqués dans les Articles suivants.

Art. 3. L'Administration des Chemins de Fer prélèvera sur le prix de tous les transports tant sur les lignes déjà existantes que sur les nouvelles lignes, jusqu'à complet remboursement des dépenses d'établissement de ces dernières, et du pont, une surtaxe de 4 pour cent dont elle versera le produit, séparément, à la Caisse de la Dette Publique.

Le droit pour l'Administration des Chemins de Fer de changer les Tarifs avec la sanction du Gouvernement restera intact. Il est toutefois bien entendu que la surtaxe de 4 pour cent ne surchargera pas les Tarifs actuels, mais qu'elle rentrera dans l'augmentation du 10 pour cent que ces Tarifs ont subie dernièrement.

Art. 4. En outre du produit de la surtaxe, les Chemins de Fer paieront à la Commission de la Dette sur leurs recettes générales, par mensualités, une somme annuelle de £ E. 54,000, à laquelle sont évaluées à forfait les recettes des nouvelles lignes.

Aussitôt que le produit de la surtaxe et les £ E. 54,000 dépasserait la somme de £ E. 94,000, la Commission de la Dette passerait le surplus au compte des recettes ordinaires des Chemins de Fer.

Art. 5. Jusqu'au remboursement complet des dépenses de construction des nouvelles lignes et du pont les 45 pour cent mentionnés à la Convention de Londres pour dépenses d'exploitation des chemins de fer ne seront pas comptés sur la somme de £ E. 94,000 représentant le produit de la surtaxe de 4 pour cent et le montant des recettes probables des nouvelles lignes.

Art. 6. Sur les £ E. 94,000 reçues par elle, la Caisse de la Dette paiera à l'Administration des Chemins de Fer, à forfait, et par mensualités, £ E. 24,000 par an, pour les dépenses des nouvelles lignes.

Les £ E. 70,000 restant, seront affectées au service de l'annuité destinée au paiement du coût du pont et des nouvelles lignes, soit £ E. 63,000 à répartir entre les différents travaux au prorata de l'évaluation indiquée à l'Article 1er ou de celle à laquelle s'arrêtera la Commission instituée par l'Article 9, et £ E. 7,000, pour faire face à l'achat du matériel roulant, achat auquel il sera procédé par l'Administration des Chemins de Fer au moment opportun.

Art. 7. Pour le cas où le produit de la nouvelle taxe et les recettes des nouvelles lignes donneraient moins de £ E. 94,000 le Gouvernement devrait rembourser la différence à la Caisse de la Dette sur son Budget administratif.

Art. 8. Le présent Arrangement entrera en vigueur au fur et à mesure de la mise en exploitation du pont et de chaque tronçon des nouvelles lignes.

Art. 9. Une Commission composée d'un Commissaire de la Dette désigné par ses collègues et remplacé par l'un d'eux en cas d'empêchement, Sir Colin Scott Moncrief, Blum Pacha, Mr. Ornstein; les trois Administrateurs des Chemins de Fer, et un Conseiller Khédivial, préparera le Cahier des Charges et s'occupera de l'adjudication.

Le Cahier des Charges devra être communiqué à la Commission de la Dette avant d'être soumis à la sanction du Conseil des Ministres.

Un délai minimum de trois mois à partir de la publication par les Chemins de Fer dans les journaux officiels des conditions de l'adjudication, devra être accordé pour la présentation des soumissions.

La plus grande publicité possible sera donnée en Europe à la mise en adjudication.

Le Cahier des Charges indiquera la portion de l'annuité affectée au paiement de chaque lot.

Art. 10. L'adjudication sera faite par lots distincts pour la construction du pont et pour chaque ligne, sauf à accorder le tout à qui offrirait pour l'ensemble des conditions plus avantageuses que celles résultant des différentes offres spéciales.

Les soumissions seront faites par l'indication, soit de sommes demandées pour les travaux en cas de paiement comptant, soit du nombre d'annuités avec lesquelles on accepterait d'être payé; les soumissionnaires pourront faire des offres pour ces deux modes.

Art. 11. La présente Convention ne sera définitive que lorsque les résultats de l'adjudication auront été acceptés par le Conseil des Ministres et que les Commissaires de la Dette alors présents au Caire auront donné leur consentement au sujet du nombre d'annuités à payer.

La Commission de la Dette fournira tous engagements nécessaires pour le paiement des annuités soit aux entrepreneurs, soit aux prêteurs, dans le cas où tout ou partie des travaux ayant été adjugés, moyennant des paiements à faire au fur et à mesure de leur exécution. Les fonds nécessaires à ces paiements seraient obtenus au moyen d'avances.

No. 119.

Sir E. Baring to the Marquis of Salisbury.—(Received May 20.)

(No. 220.)

Cairo, May 9, 1889.

My Lord,

AS your Lordship is well aware, one of the most serious charges on the Egyptian Exchequer during the last few years has been that for pensions. For some time this charge had gone on continually increasing, and there appeared to be no limit to the number of old pensions for which claims were being constantly brought forward. In October last a Decree was therefore published, granting six months for presentation of all demands for arrears of pensions, after which no demand for a pension which had been due more than six months would receive consideration. This period has now

expired, and the Egyptian Government is able accordingly to estimate with tolerable accuracy the maximum amount which it will in the future be liable to pay for pensions.

Your Lordship will see, from the inclosed note by Mr. Palmer, that the annual cost of pensions inscribed on the 30th April, together with the estimated cost of such demands as have not yet been settled, amount to £ E. 469,128. Mr. Palmer adds that this year there will be a further special charge of £ E. 30,000 on account of indemnities to officials who have been dismissed in consequence of the reconstruction of certain Departments. He estimates that £ E. 15,000 under this head will suffice in future years, thus arriving at a probable normal total after this year of £ E. 484,000.

There is, however, every reason to hope that, if the commutation of pensions is continued, the actual yearly charge in future will be rather below £ E. 450,000.

Mr. Palmer also draws attention to the fact that for certain reasons, which he states, the lapsed pensions will henceforward exceed the fresh pensions inscribed.

It is certainly satisfactory to observe that the maximum pension charge has now been reached, and that a steady and continual diminution may now be confidently looked for.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 119.

Note on the Subject of Pensions.

IN October 1888 the Government promulgated a Decree declaring that no demand for pension would be received in future if not submitted within six months from the date on which the official ceased to be employed, and giving six months from the date of the Decree for the presentation of all arrear demands. This delay having now expired, we are able to estimate what our liabilities are as regards pensions :—

	£ E.
The annual cost of pensions inscribed on the 30th April, 1889, amounted to ..	456,828
To which must be added the estimated cost of the 450 demands in hand, viz.	12,300
Making altogether a total charge of	469,128

These pensions are divided into five distinct categories, viz. :—

1. Pensions for service in Egypt—	
Civil	204,180
Military	91,968
Total	296,148
2. Pensions for service in the Soudan—	
Civil	12,036
Military	84,612
Total	96,648
3. Special pensions granted by His Highness the Khedive	39,096
4. Allowances granted in lieu of land appropriated	34,740
5. Charitable pensions	2,496

As regards the civil pensions of the first category, a large number are due to abnormal causes, such as suppression of posts and frequent changes in earlier years in the personnel, which will not, it is hoped, occur to the same extent in the future.

The actual figure, therefore, can scarcely be regarded as normal. On the other hand, service pensions tend generally to increase, so that I am not inclined to look for much falling-off under this head. It is, however, very difficult to frame an estimate with regard to this particular charge, there being no satisfactory data of past years to go upon.

The military pensions of the first category must undoubtedly decrease. The number of military pensions is altogether out of proportion to the number of officers on the active list, the former being about 1,100, besides about 1,200 heirs, and the latter about 445 only, This is due to the disbandment of the old army, which contained a far larger number of officers than the present one. The pensions amounting to the large sum of £ E. 96,648 a-year for service in the Soudan will

gradually disappear altogether, for as Egypt no longer occupies the Soudan, there will be no fresh pensions to take the place of those that are wiped out by death and other causes.

The special pensions, with the exception of about 1,800*l.* per annum, are not reversible, and as such pensions are now no longer granted, nearly the whole of this heavy charge of £ E. 29,096 will gradually disappear.

The allowances granted in lieu of land are practically a permanent charge, but we hope to buy up about £ E. 3,000 worth, which will reduce the annual charge by a corresponding amount.

The charitable pensions are likely to continue at the same figure.

The above observations tend to show that we may safely look for a gradual reduction of our pension charge. For the current year we have provided a sum of £ E. 500,000, which will not, I think, be exceeded. The annual amount of pensions is shown above to be £ E. 469,128, but to this figure we must add for the current year about £ E. 30,000 on account of indemnities. This latter is not a normal annual charge, but is due to the suppression of a large number of posts from the 1st January of the current year (Tanzim and Cadastre Departments). About half that sum will suffice in future years.

The annual charge for next year for pensions and indemnities would thus be £ E. 484,000, *i.e.*, £ E. 469,000 + £ E. 15,000, but the exchange of pensions which will, it is hoped, be continued, as also the fact that the lapsed pensions will, for the reasons I have given above, exceed the fresh ones inscribed, should, I think, reduce the charge to £ E. 450,000. I am inclined even to believe that the actual charge will be rather below than above this sum.

As regards the examination of pension claims, it is carried out very strictly, and the laws are rigidly enforced. In the course of the past eleven months, out of 2,880 demands for service in Egypt I have rejected over 800. I have not the same statistics for Soudan pensions, but a very large proportion have been likewise rejected. That the laws have been justly interpreted is shown by the small number of cases taken into Court, and the very few cases that have been given against the Government.

In considering the annual charge for pensions, it must not be overlooked that the charge would have been much higher had it not been for the exchange of pensions for land and cash, which has been carried out on a large scale. The annual pensions exchanged up to the end of April 1889 amounts to £ E. 99,434. It is, however, most satisfactory to know that we have reached the limit, and that now we may hope for a steady fall in the charge.

(Signed) ELWIN PALMER,
Director-General of Accounts.

May 8, 1889.

No. 120.

Sir E. Baring to the Marquis of Salisbury.—(Received May 19, 1·5 P.M.)

(No. 82.)
(Telegraphic.) *Cairo, May* 19, 1889, 11·45 A.M.

EGYPTIAN Government is preparing a draft Decree on the subject of the conversion to be submitted with least possible delay to the Great Powers. It is presumed that latter will subsequently bring matter to the notice of minor Powers. This is course which was followed in connection with Law of Liquidation. Unless I hear from you to the contrary I propose to agree to this procedure.

No. 121.

Sir E. Baring to the Marquis of Salisbury.—(Received May 20, 1 P.M.)

(No. 83.)
(Telegraphic.) *Cairo, May* 20, 1889, 11·54 A.M.

CAN nothing be done to settle difficulty with the Stock Exchange, which threatens to interfere seriously with whole project of conversion?

Last proposal of Caisse places the Bank of England as regards Egyptian bondholders in same position as with reference to English Debt. There is not the least probability of this being changed, but Stock Exchange now ask for the Decree of the 22nd June, 1886, to be altered so as to guarantee permanency.

This would require assent of the Powers, which will be very difficult to obtain.

Sir E. Vincent knows the details.

It will be very hard on the Egyptian Government and tax-payer if they suffer on account of difference of opinion between Stock Exchange and the Caisse, in which they are but slightly interested.

No. 122.

The Marquis of Salisbury to Sir E. Baring.

(No. 54.)
(Telegraphic.) *Foreign Office, May* 20, 1889, 5 P.M.

YOUR telegram No. 82.

You can agree to submission of Decree to Great Powers first. Mode of communication to minor Powers can be settled afterwards.

No. 123.

The Marquis of Salisbury to Sir E. Baring.

(No. 55.)
(Telegraphic.) *Foreign Office, May* 20, 1889, 6·40 P.M.

YOUR telegram No. 83.

Vincent has seen Secretary of Stock Exchange, and thinks there is no chance of their giving way, and that Egyptian Government must obtain consent of Powers to modification of Decree.

Article to this effect has been inserted in draft of Conversion Decree.

No. 124.

Sir E. Baring to the Marquis of Salisbury.—(Received May 22, 4 P.M.)

(No. 84.)
(Telegraphic.) *Cairo, May* 22, 1889, 3·36 P.M.

CONVERSION Circular and draft Decree will be issued to-morrow.

No. 125.

Paper communicated by Baron Richthofen, May 25.

(No. 1.)

Draft Decree for the Egyptian Preference Debt.

[See Inclosure 2 in Sir E. Baring's No. 236, May 24, 1889.]

(No. 2.)

Résumé of Circular to Representatives of Great Powers in Egypt.

L'abaissement de la valeur de l'argent a permis à plusieurs États de convertir leurs dettes et d'alléger les charges publiques. L'Égypte, grâce à l'amélioration marquée de son crédit, est aujourd'hui en mesure de profiter des conditions favorables du marché pour réaliser par une conversion des économies notables dans le Service de la Dette. A la suite des négociations le Gouvernement a signé avec un groupe de banquiers un Contrat pour la conversion de la Dette Privilégiée 5 pour Cent; pour le remboursement de l'Emprunt 4½ pour Cent de 1888, et pour mettre à la disposition du Gouvernement une disposition somme de £ E. 1,200,000. Pour faire face à cette opération le Gouvernement propose d'émettre des titres 4 pour Cent, assimilés aux titres actuels de la Dette Privilégiée 5 pour Cent. Le projet de Décret

ci-joint détermine les conditions. Le Gouvernement appelle l'attention sur les grands avantages de la combinaison. En prenant comme base le prix garanti de 95 pour cent, la transformation de la Privilégiée donne une économie de 176,000*l.* et l'Emprunt 4½ pour Cent une économie de 35,000*l.*; d'autre part, l'émission pour £ E. 1,200,000, réduit ces économies de £ E. 52,000. Cette dernière émission se faisant dans les limites du Firman Impérial de 1888, a pour but de créer des ressources destinées à permettre la continuation de l'échange des pensions contre des terres de l'État et des travaux d'irrigation, notamment dans la Haute-Égypte, afin de préserver le pays contre les effets désastreux d'une mauvaise crue du Nil. Au point de vue budgétaire l'opération totale donnera une économie annuelle de 159,000*l.* au moins. La situation des porteurs de la Dette Unifiée sera améliorée, car les prélèvements sur les ressources affectées à l'Unifiée pour insuffisance des revenus affectés à la Privilégiée seront diminués et peut-être cesseront complètement. La diminution de la charge de la dette augmentera l'excédent des revenus affectés, dont l'emploi est déterminé par les Conventions Internationales en vigueur, la moitié de l'excédent allant au fonds de réserve et éventuellement à l'amortissement; l'autre moitié à être tenue par la Caisse de la Dette à la disposition du Gouvernement. Le Gouvernement de Son Altesse espère que les Puissances, en appréciant les grands avantages de l'opération, donneront leur assentiment au projet de Décret, et obtiendront, comme pour le Décret du 27 Juillet, 1885, l'adhésion des autres Puissances représentées aux Tribunaux Mixtes en Égypte. Le groupe de banquiers étant lié seulement jusqu'au 30 Juin prochain, il y a un haut intérêt pour le Gouvernement, en présence des conditions très favorables de l'arrangement, d'obtenir l'assentiment des Puissances avant cette date.

No. 126.

Sir E. Baring to the Marquis of Salisbury.—(Received May 27.)

(No 227.)

My Lord, *Cairo, May* 16, 1889.

I HAVE the honour to report that the Commission appointed, in accordance with the instructions contained in your Lordship's despatch No. 140 of the 18th ultimo, to investigate the whole question of the expenses of the Army of Occupation, has held several meetings, and has now drawn up a Report which I have the honour to transmit herewith. The Commission was composed of myself as President; Major-General Dormer; Tigrane Pasha and Mr. Palmer representing the Egyptian Government; and Mr. Lawson representing the War Office and the Treasury in England. It was originally proposed that there should be only one Egyptian Representative on the Commission. In view, however, of the fact that Mr. Palmer, to whose Department these charges are referred, was an Englishman, I thought it advisable that an Egyptian should be present at the meetings of the Commission to see that the question was thoroughly gone into. I accordingly invited Tigrane Pasha to take part in the investigation.

Your Lordship will observe that if the proposals recommended by the Commission be accepted by Her Majesty's Government, the annual charge on the Egyptian Government on account of the expenses of the British troops will be reduced by about 25,500*l.* Some of the members of the Commission, including myself, were of opinion that still further economies might be effected, but in view of the advantages of presenting a unanimous Report, we did not press for reductions to which objections were taken on the part of other members of the Commission.

The most important economy proposed in the Report is the reduction of the three battalions of infantry stationed in Egypt by 261 men, being the number required to bring these regiments down to the home instead of the colonial strength. The saving to the Egyptian Government thereby effected will amount to about 10,000*l.* I venture most earnestly to recommend the acceptance of this proposal by Her Majesty's Government. The reduction of the present garrison by 261 men will in no way impair its efficiency for preserving internal order and tranquillity in this country. If, on the other hand, it were found necessary to assist the Egyptian Government in defending the frontier or in conducting warlike operations against the Dervishes, the force actually quartered in this country would in any case be insufficient, and would have to be reinforced. It will be observed that, inasmuch as the gross cost of these men is charged to the Egyptian Treasury, the sum claimed in respect to them amounts to 40*l.* per man. It would, in fact, be cheaper for the Egyptian Government to give

up these 261 men and have an additional battalion on the home strength in their place.

If the recommendations of the Commission be adopted in their entirety, the charge upon Egypt for the Army of Occupation will be reduced to about 80,000*l.* a-year. Of this, nearly 10,000*l.* is paid directly back to the Government in the shape of octroi and customs duties and railway fares, so that the net cost to Egypt will practically be reduced to 70,000*l.* a-year.

When the Report of the Commission has been considered by Her Majesty's Government, and a decision taken upon the proposals contained in it, it will, I presume, be necessary to frame a revised estimate of the charge on the Egyptian Government for the current year. The present estimate of 105,500*l.* should be reduced by about 10,000*l.* in consequence of economies already carried into effect, and many of the proposals of the Commission, if adopted without unnecessary delay, will affect this year's expenditure. Until I receive further instructions on the subject, I shall not, therefore, make any communication to the Egyptian Government as to the charge for 1889-90.

I have, &c.
(Signed) E. BARING.

Inclosure 1 in No. 126.

Report of the Commission on the Expenses of the Army of Occupation.

WE, the Undersigned, have the honour to report that, in conformity with instructions addressed by the Marquis of Salisbury to Sir E. Baring, we have held several meetings under the presidency of Sir E. Baring, and have made a careful examination of the amounts charged to the Egyptian Government on account of the extra cost of maintaining the British forces in Egypt.

Our investigation resolved itself into two distinct portions. In the first place, we examined how far the division of charges on this account between England and Egypt is in conformity with the general principle that only the extra expenditure caused by the occupation should be borne by the latter. In the second place, we considered whether, by a more economical administration, it was possible to relieve the English and Egyptian Treasuries of a certain amount of the present charges.

On the first of these two points we have but few observations to offer. The only charges to which it is possible to take exception on general grounds are those connected with moving regiments to and from Egypt. These charges vary in proportion to the frequency with which the troops stationed in Egypt are changed. Hitherto the same regiment has not, in general, been left very long in this country. It is urged, with a certain amount of truth, that these frequent changes are effected by the English authorities for their own convenience and not for that of Egypt, and that the latter should not, therefore, be charged the whole cost. We venture to suggest that the charges on this account should be made on the basis of one battalion being changed a-year, and that if, in any particular case, it were considered unadvisable to leave a regiment in Egypt for the three years which such a system would necessitate, it should be relieved by a regiment on its way to India, in which case no charge is made on the Egyptian Government for transport. This proposal will, if adopted, make no alteration in the present estimated charge, which has been drawn up on the basis of one regiment only being changed. With this exception, we think that the charges made upon the Egyptian Government are in complete harmony with the principle laid down above.

On the second point, namely, whether any economies could be made in the present charges, it may be of service to state briefly the composition of the force at present stationed in Egypt, and the manner in which the Egyptian Government is charged for its maintenance.

The exact number of officers and men for whom provision is made in the Army Estimates for 1889-90 is 3,490, made up as follows:—

Officers	160
Other ranks	3,330
	3,490

Of these, 3,034 (117 officers and 2,917 other ranks), and 112 horses, would be in existence if the force were quartered in England. The Egyptian Government is

charged the extra expenditure due to this force being stationed in Egypt instead of in England, amounting in round numbers to 34,000*l.* The balance of the charge made upon the Egyptian Government, amounting to about 71,000*l.*, includes the gross cost of 43 officers and 413 other ranks, together with 466 animals, who exist only in consequence of the British occupation, and the gross expenditure on barracks and other services necessitated by the presence of the British forces.

We have carefully examined the above charges in detail, with a view to seeing what reductions, if any, could be made in them. It will be convenient to give the result of our examination under the head of each separate service.

1. *General Staff.*—We recommend that when the present Brigade-Major's appointment expires, which will take place in about a year, the post should not be filled up, and that the duties should be performed by the Deputy Assistant Adjutant-General, who superintends the military police. This will produce an economy of 586*l.*, including allowances. The item of 1,400*l.* for civilian employés in the offices of the Staff has already been reduced by 330*l.* by dispensing with the services of three interpreters.

2. Maintenance of infantry and cavalry on the colonial instead of the home strength. The gross pay and allowances of 274 officers and men required to complete the establishment of three battalions of infantry and a squadron of cavalry stationed abroad instead of at home, are charged to the Egyptian Government. We do not propose to alter the strength of the cavalry, or, in view of the extra duties which fall on the regimental officers and the exigences of leave, to reduce the number of additional officers in the battalions of infantry, but we are of opinion that the cost of the extra 261 men required to bring the three battalions up to the colonial strength, which amounts, under all heads, to 10,404*l.*, is out of proportion to the advantages to Egypt of their presence in that country. The General Officer commanding in Egypt considers that there would be no military risk, so long as the Soudan remains quiet, in reducing the force under his command by this number of men, and he is prepared to a gree to the proposed reduction. Sir Evelyn Baring entirely concurs in the view that there is no risk whatever involved in making this small reduction of the garrison. We are aware that there may be difficulties at home in the way of adopting a proposal which would go outside the ordinary rules of the Service in the case of regiments sent abroad. In view, however, of the large additional cost entailed upon Egypt under the present system, we venture to express a strong hope that it may be found possible to keep the battalions stationed in Egypt at their home strength.

3. *Medical Staff Corps.*—We understand that the military authorities in Egypt have already proposed the reduction of twenty-six of the Medical Staff Corps, leaving only eight men maintained especially for Egyptian service. The total economy to the Egyptian Government will amount to 1,467*l.*

4. *Army Service Corps.*—We are informed that the charge on this head has recently been fully gone into by the local military authorities, and that by the concentration of troops, and the making of more favourable contracts owing to the diminished price of native labour, reductions have been proposed amounting to 2,270*l.*, which will come into effect from the 1st April, 1889.

5. *Ordnance Store Department.*—By concentration of stores and reductions in the wages of the civilian subordinates, we propose to reduce the charge by 1,340*l.*, to take effect from the 1st April, 1889. We further hope that when the concentration of troops and stores is effected it may be found possible to make reductions in the numbers of the Ordnance Store Corps.

6. *Army Pay Department.*—By a proposal now under the consideration of the military authorities, the number of Paymasters in Egypt will be reduced from five to three. As, however, only the extra cost of these officers is charged to the Egyptian Government, the economy thereby realized will not amount to more than 150*l.*

7. *Divine Service.*—We have carefully examined the details of this charge, but we are unable to recommend any reduction in the number of Chaplains. Whenever the present Scotch regiment leaves Egypt, it will be possible to dispense with the services of one Presbyterian Chaplain, thereby effecting an economy of 250*l.* a-year. The estimate has already been reduced by 60*l.* in connection with the hire of a Wesleyan building.

8. *Prison Establishment.*—An economy of 170*l.* has already been effected under this head by closing the prison at Abassiyeh.

9. *Medical Staff.*—The military authorities in Egypt propose to reduce the number of medical officers by one Brigade Surgeon and two Surgeons, leaving thirteen medical officers and two Quartermasters. We are of opinion, however, that it is unnecessary to keep up a Deputy Surgeon-General especially for Egypt. This officer is supernumerary to the Medical Establishment, and his gross pay and allowances are charged to the Egyptian Government. The abolition of his post would therefore be a considerable economy to the Egyptian Treasury, and we think that his duties could quite well be performed by a Brigade Surgeon. If, however, in the opinion of the medical authorities at home, it is essential to keep a Deputy Surgeon-General in Egypt, we venture to recommend that one be appointed from one of the smaller stations where Her Majesty's forces are quartered, instead of keeping an extra officer of this rank especially for this country. In that case only the extra allowances of a Deputy Surgeon-General would be charged to Egypt. We further recommend that the number of Quartermasters be reduced from two to one. If the above suggestions be adopted, and if a Deputy Surgeon-General on the ordinary establishment be appointed to Egypt, the total economy realized under this head will amount to 1,716*l.*

10. *Maintenance of Barrack, &c.*—We have carefully gone into the details of this charge with the officer commanding the Royal Engineers. That officer's estimate for the next five years shows an annual expenditure of 7,504*l.* made up as follows:—

	£
Salaries (1 Engineer Clerk reduced)	943
Maintenance of barracks	6,381
Maintenance of fortifications	180
	7,504

We propose, in agreement with the officer commanding the Royal Engineers, to limit the expenditure on barracks to 6,000*l.* The future estimate of this charge will therefore be 7,123*l.* It is further proposed to reduce the staff of Engineer officers by one in the course of the year, making a saving to the Egyptian Government of 35*l.* on account of his extra allowances. It has been already proposed to reduce the expenditure on fortifications by 514*l.* in the current year.

It was observed in the course of the discussion on this charge that no allowance is made to Egypt on account of the expenditure that would be incurred under this head if the troops were in England.

In addition to the economies above proposed, we have the honour to make the following observations with a view to the reduction of the extra cost of maintaining the force in Egypt at its home strength.

1. *Land Transport.*—In future years it is expected to realize an economy of 500*l.* under this head by the concentration of stores, and by a reduction in the amount of stores got out from England. The saving will, however, be fully counterbalanced in the current year by the expense of changing two battalions, and by the arrangements necessitated by the concentration of stores.

2. *Sea Transport.*—We venture to think that a reduction of 1,200*l.* may be made in the estimate under the head of freight of stores out, owing to English forage and other supplies no longer being sent out from England. We have not found it possible to propose any reductions in the remaining items that make up this charge.

3. *Provisions.*—By a fall in the contract prices in Egypt the extra cost of rations in this country has been reduced by about 9*s.* per man, making an economy to the Egyptian Government of 1,400*l.* It may be observed that about 5,000*l.* of the amount charged under this head to the Egyptian Government returns to them in the shape of customs and octroi duties.

4. *Forage.*—The estimate should be reduced by about 1,000*l.*, in consequence of the decision to discontinue the practice of sending English forage out from England. We are unable to recommend any further economies in the number of animals maintained. The present transport establishment is just sufficient to put 800 men at Cairo and 500 at Alexandria in the field at a moment's notice, and the military authorities in Egypt are of opinion that this is the minimum establishment necessary for safety.

5. *Colonial Allowance.*—The present estimate has already been reduced to 3,500*l.* A short time ago this allowance was reduced from 3*s.* to 1*s.* 6*d.* Considerable dissatisfaction was thereby caused among the officers quartered in Egypt, who complained, with some reason, that the higher amount only just compensated for the extra expenses of living in this country. We recommend, therefore, that if our Report generally as to economies be carried into effect, the colonial allowance should be increased to its former figure of 3*s.* This will increase the present estimate by 3,100*l.*, after making allowance for the reduction of establishment proposed in the present Report.

6. *Lodging Allowance.*—It is proposed by the military authorities in Egypt to effect

economies to the amount of 1,000*l.* under this head by bringing departmental officers, &c., into barracks. It is estimated that about 800*l.* of this sum will come off the charge made on the Egyptian Government.

7. *Field Allowance.*—It is proposed by the military authorities to reduce this item by 230*l.*

8. *Rents.*—An economy of 580*l.* has already been realized by reducing the number of married quarters. In October of this year the lease of the house taken for the General commanding in Egypt falls in. An endeavour will then be made to renew the lease at a lower rent than the present amount of 1,000*l.* a-year. An item of 130*l.* is charged in the estimate for wharfage. Arrangements have already been made which will reduce this charge by 100*l.* in future years, and by 50*l.* in the current year.

9. *Water.*—The estimate for the present year should be diminished by 300*l.* on account of a reduction of expenditure.

10. *Sanitary Services.*—A saving of 250*l.* has already been effected under this head.

We have now completed our examination of these charges, and of the economies that it is possible to make in them. If our proposals be adopted as they stand, the charge on the Egyptian Treasury on account of the Army of Occupation, at present estimated at 105,500*l.*, will be reduced by 25,541*l.*, of which 9,694*l.* has already been effected.

We annex a Table showing the manner in which the proposed economies would be distributed over the different Votes.

We venture further to suggest that in future years the estimate of the charges to be made on the Egyptian Government for the extra expenses of the Army of Occupation should be framed by the military authorities in Cairo, and should be submitted, before being sent home, for such observations as the Egyptian financial authorities might wish to offer upon them.

(Signed) E. BARING.
J. C. DORMER, *Major-General.*
TIGRANE.
ELWIN PALMER.
G. LAWSON.

Cairo, May 14, 1889.

No. 126 A.

Sir E. Vincent to Foreign Office.—(Received May 30.)

Dear Sir Philip, *Foreign Office, May* 30, 1889.

THE draft Decree on the conversion will reach London on Monday, and Paris two days sooner.

It is important that the English Government should signify their acceptance with the least possible delay. I understand that Germany will accept as soon as England has accepted, and I am anxious that this should take place before the French Government have had time to make any counter-proposal.

The draft Decree communicated by Baron Richthofen is identical with that which will arrive on Monday, and I suggest that the opinion of the Treasury might be asked immediately, so that acceptance may be telegraphed to Cairo directly the official communication from Baring is received.

Yours, &c.
(Signed) EDGAR VINCENT.

No. 126 B.

Foreign Office to Treasury.

Sir, *Foreign Office, May* 30, 1889.

I AM directed by the Marquis of Salisbury to transmit to you herewith, to be laid before the Lords Commissioners of Her Majesty's Treasury, a telegraphic summary of the Circular which the Egyptian Government have addressed to the Representatives of the Great Powers in Egypt upon the subject of the conversion of the Egyptian 5 per Cent. Privileged Debt and of the 4½ per Cent. Loan of last year.*

A draft of the Khedivial Decree, by which it is proposed to give effect to this measure, is also inclosed.

These documents have been communicated to his Lordship by Baron Richthofen, the German Commissioner of the Caisse de la Dette Publique, who has been deputed by the Egyptian Government to negotiate the terms of the conversion.

I am to request that you will move their Lordships to take these papers into their immediate consideration, and favour Lord Salisbury with their opinion as to whether Her Majesty's Government can properly give their assent to the issue of the Decree in question.

I am, &c.
(Signed) P. CURRIE.

P.S.—A copy of a private letter on the subject, which Sir E. Vincent has addressed to me, is annexed for their Lordships' information.†

P. C.

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* See No. 125.

† No. 126 A.

Inclosure 2 in No. 126.

TABLE showing Distribution of proposed Economies over the Sub-heads of the different Votes.

Item of Reduction of Charge.	Pay and General Staff.	Regimental Pay. Vote 1.	Civilians attached to A. S. C.	O. S. D.	A. F. D.	Divine Service.	Prison Establishment.	Medical Staff.	Land Transport.	Sea Transport.	Purchase of Horses.	Provisions.	Forage.	Fuel and Light.	Colonial Allowance.	Lodging Allowance.	Field Allowance.	Rents.	Water.	Sanitary Services.	Clothing.	Stores.	Works.	Grand Total.
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
1. Brigade Major	410	:	:	:	:	:	:	:	:	:	:	10	45	15	25	81	:	:	:	:	:	:	:	586
2. Three Interpreters	330	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	330
3. 261 men, bringing infantry down to home establishments ..	:	5,274	:	:	:	:	:	:	250	500	:	2,800	:	250	:	:	:	:	130	:	800	400	:	10,404
4. 26 men of Medical Staff Corps ..	:	803	:	:	:	:	:	283	25	50	:	260	:	46	:	:	:	:	:	:	:	:	:	1,467
5. Army Service Corps ..	:	:	2,270	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	2,270
6. Ordnance Store Department	:	:	:	1,340	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	1,340
7. Army Pay Department ..	:	:	:	:	:	:	:	:	:	:	:	20	:	:	50	80	:	:	:	:	:	:	:	150
8. Divine Service	:	:	:	:	:	310	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	310
9. Prison Establishment ..	:	:	:	:	:	170	:	1,521	:	:	:	:	:	55	100	:	:	:	:	:	:	:	:	170
10. Medical Staff	:	:	:	:	:	:	:	:	:	:	:	40	:	:	25	:	:	:	:	:	:	:	:	170
11. Maintenance of barracks, &c.	:	:	:	:	:	:	:	:	:	:	:	10	:	:	:	:	:	:	:	:	:	:	3,703	3,738
12. Reductions in extra cost of maintaining force at its home strength ..	:	:	:	:	:	:	:	:	:	1,200	:	1,400	1,000	:	:	800	250	680	300	250	800	400	:	6,360
Less increase of colonial allowance	:	:	:	:	:	:	:	:	:	:	:	:	:	:	−3,300	:	:	:	:	:	:	:	:	−3,300
Total	740	6,077	2,270	1,340	:	310	170	1,804	775	1,750	:	4,540	1,045	366	−3,100	961	250	680	430	250	800	400	3,703	25,541

(Signed) E. BARING.
J. C. DORMER, *Major-General.*
TIGRANE.
ELWIN PALMER.
G. LAWSON.

No. 127.

Sir E. Baring to the Marquis of Salisbury.—(Received June 1.)

E
(No. 236.)

My Lord, *Cairo, May* 24, 1889.

WITH reference to previous correspondence on the subject of the proposed conversion of Preference stock, I have the honour to transmit herewith copies of a Circular note which has been addressed to the Representatives of the Great Powers by the Minister for Foreign Affairs, asking for the adhesion of their respective Governments to the draft Decree inclosed therein.

Your Lordship will observe that it is important, in the interests of the Egyptian Government, that this adhesion should be received before the 30th June next.

I have, &c.
(Signed) E. BARING.

Inclosure 1 in No. 127.

Zulfikar Pasha to Sir E. Baring.

(Circulaire.)

M. le Ministre, *Le Caire, le* 23 *Mai*, 1889.

L'ABAISSEMENT de la valeur de l'argent sur les marchés financiers de l'Europe a permis à la plupart des États de procéder pendant ces dernières années, à la conversion de leurs dettes et d'alléger ainsi leurs charges publiques. L'Égypte, grâce à l'amélioration marquée de son crédit, se trouve aujourd'hui en mesure de profiter des conditions favorables du marché pour réaliser à son tour, au moyen d'une conversion, de notables économies sur le service de sa dette.

A la suite de diverses négociations, le Gouvernement de Son Altesse vient de signer avec un groupe de banquiers un contrat aux termes duquel MM. de Rotchschild, Bleichröder et Hanseman se sont chargés de convertir en 4 pour cent la Dette Privilégiée 5 pour Cent, de rembourser l'Emprunt 4½ pour Cent émis en 1888, et de mettre, en outre, à la disposition du Gouvernement Egyptien, une somme effective de £ E. 1,200,000.

Pour faire face à cette opération, le Gouvernement Égyptien se propose d'émettre jusqu'à concurrence du capital nécessaire, des titres 4 pour Cent qui seraient substitués et assimilés entièrement aux titres actuels de la Privilégiée 5 pour Cent.

J'ai l'honneur de vous remettre ci-joint quatre exemplaires du projet de Décret déterminant les conditions de l'opération.

Je prends la liberté, M. le Ministre, d'appeler spécialement l'attention du Gouvernement de Sa Majesté Britannique sur les avantages considérables que l'Égypte est appelée à retirer de cette combinaison.

Le groupe financier prend ferme à 95 le nouveau titre 4 pour cent; en se basant sur ce taux, la transformation en 4 pour cent de la Dette Privilégiée 5 pour Cent produira une économie de 176,000*l.*, sur la somme actuellement absorbée par le service de cette Dette; une économie de 35,000*l.* résultera également du remboursement de l'Emprunt 4½ pour Cent.

D'autre part, cette économie se trouvera réduite de 52,000*l.* par suite de l'émission de nouveaux titres jusqu'à concurrence d'une somme effective de £ E. 1,200,000. Cette émission, qui rentre, du reste, dans les limites de l'autorisation du Firman Impérial de 1888, a surtout pour but, après prélèvement de certains frais, de créer les ressources nécessaires pour deux opérations qui intéressent au plus haut degré le bien-être et l'avenir de l'Égypte; une partie de ces ressources est destinée à continuer l'échange des pensions contre des terres, échange également avantageux pour les pensionnaires et le Gouvernement; l'autre partie sera employée à des travaux d'irrigation, notamment dans la Haute-Égypte, de façon à préserver le pays des effets désastreux d'une mauvaise crue.

En définitive, l'opération totale au point de vue budgétaire, se traduit par une économie annuelle de 159,000*l.*, ainsi qu'il est facile de s'en rendre compte par un Tableau d'ensemble que vous trouverez ci-annexé.

La situation des porteurs de l'Unifiée se trouvera elle-même améliorée; comme vous le savez, M. le Ministre la dotation de la Dette Privilégiée 5 pour Cent constitue, après le service de l'Emprunt Garanti, une première charge sur les revenus affectés;

les sommes nécessaires pour parer à l'insuffisance des revenus spécialement affectés à la Dette Privilégiée doivent être prélevées sur les ressources de l'Unifiée.

Le service de la nouvelle Privilégiée 4 pour Cent exigeant une somme bien inférieure à l'annuité de la Privilégiée actuelle, les prélèvements à faire sur les ressources de l'Unifiée seront considérablement diminués et pourront même, à un moment donné, cesser complètement.

Cette diminution des charges de la Dette aura pour effet d'augmenter les excédents des revenus affectés, dont l'emploi est déterminé par les Conventions Internationales en vigueur: la moitié des excédents est versée au fonds de réserve jusqu'au jour où ce dernier aura atteint la somme de £ E. 2,000,000, et ensuite appliquée à l'amortissement en première ligne de l'Emprunt Garanti 3 pour Cent; l'autre moitié est tenue par la Caisse de la Dette à la disposition du Gouvernement Égyptien.

Le Gouvernement de Son Altesse espère, M. le Ministre, que le Gouvernement de Sa Majesté Britannique, appréciant les sérieux avantages que présente cette opération, voudra bien donner son assentiment à la promulgation du Décret et se charger en même temps, ainsi qu'il a bien voulu le faire pour le Décret du 27 Juillet, 1885, de le porter à la connaissance des Puissances qui ont pris part à l'établissement des Tribunaux Mixtes, en les invitant à y adhérer.

Je me permets d'insister plus particulièrement sur le fait que le groupe financier n'étant lié que jusqu'au 30 Juin prochain, il est du plus haut intérêt pour le Gouvernement de Son Altesse, en présence des conditions essentiellement avantageuses de l'arrangement intervenu, d'obtenir avant cette date l'assentiment du Gouvernement de Sa Majesé Britannique; aussi, je m'en remets à votre obligeance habituelle pour solliciter et obtenir une réponse favorable.

Veuillez, &c.
Le Ministre des Affaires Étrangères,
(Signé) ZOULFIKAR.

Inclosure 2 in No. 127.

Draft Decree for the Egyptian Preference Debt.

NOUS, Khédive d'Égypte,

Vu la Loi de Liquidation du 17 Juillet, 1880;

Vu notre Décret du 27 Juillet, 1885;

Vu le Firman de Sa Majesté Impériale le Sultan contenant l'autorisation d'augmenter la Dette Égyptienne de £ E. 5,000,000 effectives;

Vu notre Décret du 30 Avril, 1888;

Considérant que l'Allemagne, l'Autriche-Hongrie, la France, la Grande-Bretagne, l'Italie et la Russie ont déclaré qu'elles acceptaient le présent Décret, et qu'elles se sont engagées à le porter collectivement à la connaissance des autres Puissances qui ont pris part à l'établissement des Tribunaux Mixtes en Égypte, et à les inviter à y adhérer;

Sur la proposition de notre Conseil des Ministres,

Avons décrété et décrétons:

Article 1er. Notre Ministre des Finances est autorisé à créer une Dette Privilégiée 4 pour Cent, jouissance du 16 Juillet, 1889, au moyen d'une émission de rentes sur l'Etat ou d'obligations jusqu'à concurrence de la somme nécessaire:—

1. Pour convertir ou rembourser en espèces et au pair les titres actuellement en circulation de la Dette Privilégiée 5 pour Cent.

2. Pour rembourser en espèces et au pair les titres actuellement en circulation de l'Emprunt 4½ pour Cent émis en vertu de notre Décret du 30 Avril, 1888.

3. Pour produire une somme effective de £ E. 1,200,000.

Art. 2. La Dette Privilégiée 4 pour Cent est substituée et assimilée entièrement à la Dette Privilégiée 5 pour Cent.

Sont notamment maintenues toutes les dispositions des Lois et Décrets actuellement en vigueur concernant l'Administration Spéciale des Chemins de Fer, du Port d'Alexandrie, et des Télégraphes;

Les affectations et garanties assurées à la Dette Privilégiée 5 pour Cent;

Son service par la Caisse de la Dette;

Et son exemption de tout impôt au profit de notre Gouvernement.

Art. 3. L'annuité de £ E. 130,000 affectée au service de l'Emprunt 4½ pour Cent

par notre Décret du 30 Avril, 1888, continuera à être versée par notre Ministre des Finances à la Caisse de la Dette dans les conditions prévues par l'Article 5 du dit Décret.

A partir du 15 Juillet, 1889, elle fera partie intégrante des revenus affectés au service de la Dette Privilégiée 4 pour Cent.

Art. 4. La Dette Privilégiée 4 pour Cent ne pourra être remboursée pendant une période de quinze années, expirant le 15 Juillet, 1904.

Après cette date, le Gouvernement pourra à toute époque procéder au remboursement au pair de toute ou partie de cette dette.

Art. 5. Il sera accordé aux porteurs de titres de la Dette Privilégiée 5 pour Cent, un délai qui ne pourra être moindre de sept jours, pour demander la conversion de leurs titres en titres de la Dette Privilégiée 4 pour Cent.

La conversion sera effectuée sans frais pour les porteurs, qui seront tenus de faire le dépôt de leurs titres aux endroits qui seront désignés à cet effet.

Art. 6. Les dépositaires légaux ou contractuels de titres de la Dette Privilégiée 5 pour Cent, sont autorisés à effectuer la conversion de ces titres, dont les propriétaires ne leur auraient pas fait connaître cinq jours au moins avant l'expiration du délai ci-dessus mentionné qu'ils optent pour le remboursement.

Art. 7. Les titres de la Dette Privilégiée 5 pour Cent réservés pour assurer le réglement des Dettes de la Liquidation, seront convertis par les soins de la Caisse de la Dette conformément aux dispositions du présent Décret.

Les sommes payées en espèces à titre de soulte, s'il y a lieu, seront placées par la Caisse de la Dette au profit de la Liquidation.

Les sommes stipulées payables en titres aux termes de l'Article 69 de la Loi de Liquidation, seront payables en titres de la Dette Privilégiée 4 pour Cent au pair.

Art 8. Les titres de la Dette Privilégiée 5 pour Cent, dont les porteurs n'auront pas demandé la conversion dans les formes et délais prescrits, ainsi que tous les titres de l'Emprunt 4½ pour Cent, seront appelés au remboursement postérieurement au 20 Juin, 1889, à des dates qui seront fixées ultérieurement.

Le remboursement comprendra le paiement en espèces tant du capital nominal que des intérêts courus jusqu'au jour fixé pour le remboursement.

Art. 9. La somme effective de £ E. 1,200,000, prévue à l'Article 1er du présent Décret, sera versée le 15 Juillet, 1889, à la Caisse de la Dette Publique.

Sur ces £. E. 1,200,000 seront prélevés les frais incombant à notre Gouvernement dans les opérations ci-dessus et les sommes nécessaires au remboursement des avances faites par la Caisse de la Dette à notre Ministre des Finances pour rachat d'allocations et pensions.

Le surplus destiné à des dépenses extraordinaires de notre Gouvernement sera employé pour un tiers à la continuation des opérations de l'échange des pensions contre des terres libres ou domaniales et pour les deux autres tiers à des travaux d'irrigation.

Les sommes employées pour l'échange des pensions seront versées directement par la Caisse de la Dette aux divers ayants droit sur mandats délivrés par notre Ministre des Finances.

Les sommes destinées aux travaux d'irrigation seront remises par la Caisse de la Dette à notre Ministère des Finances au fur et à mesure de ses besoins.

Art. 10. Les Commissaires de la Caisse de la Dette nous adresseront après l'emploi total de la dite somme de £ E. 1,200,000 un Rapport établissant cet emploi d'après les justifications qui leur seront produites. Ce Rapport sera publié au "Journal Officiel."

Art. 11. Un Décret ultérieur, rendu sur la proposition de notre Conseil des Ministres, indiquera :—

Les dates à partir desquelles les intérêts cesseront de courir sur les titres de la Dette Privilégiée 5 pour Cent et de l'Emprunt 4½ pour Cent de 1888.

Le mode d'établissement des comptes d'intérêt et le mode de versement des intérêts afférents à l'année financière en cours.

Les dates, délais, et toutes formalités, soit pour la conversion soit pour le remboursement.

Les soultes à payer, s'il y a lieu, aux porteurs de titres convertis.

Le mode d'annulation éventuelle des titres.

Les délais de prescription applicables aux titres qui n'auront été présentés, ni à la conversion, ni au remboursement.

Les prix, conditions, et dates des émissions.

Le mode d'inscription de la Dette Privilégiée 4 pour Cent.

Et en général, le mode d'exécution de toutes les opérations visées par le présent Décret.

Art. 12. Les dispositions du deuxième alinéa de l'Article 1er de notre Décret du 22 Juin, 1886, aux termes desquelles il peut, dans certains cas, être sursis provisoirement au paiement de titres ou coupons de la Dette Égyptienne, sont et demeurent abrogées.

Art. 13. Sont formellement maintenues toutes les dispositions de Lois et Décrets en vigueur, en tant qu'elles ne sont pas contraires au présent Décret.

Art. 14. Notre Ministre des Finances est chargé de l'exécution du présent Décret.

Annexe.

				£
Il faut au taux de 95—	£			
Pour rembourser	22,296,800	Privilégiée 5 pour Cent	.. ..	23,470,320
,,	2,330,000	Emprunt 4½ pour Cent	.. ..	2,452,640
Pour produire	1,230,769	(£ E. 1,200,000) ..	.. ..	1,295,540
	25,857,569			27,218,500
		Intérêts à 4 pour cent	.. .. ..	1,088,740

	£	
Charges actuellement prévues au Budget—		
Service de la Dette Privilégiée 5 pour Cent	1,114,840	
,, Emprunt 4½ pour Cent (y compris amortissement 28,483*l.*)	133,333	
		1,248,173
Économie		159,433

No. 128.

Treasury to Foreign Office.—(*Received June* 1.)

Treasury Chambers, June 1, 1889.

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge the receipt of your letter of the 30th May, transmitting a summary of a Circular which the Egyptian Government have addressed to the Representatives of the Great Powers upon the subject of the conversion of the Egyptian 5 per Cent. Privileged Debt, and of the 4½ per Cent. Loan of last year, as well as a draft of the Khedivial Decree giving effect to this conversion.

My Lords understand that the Government of the Khedive are alone responsible for the details of the proposed scheme of conversion, and that the only question before Her Majesty's Government is whether Great Britain shall, as one of the Powers whose assent is necessary to the variation of existing Decrees, signify her consent to the issue of the Decree giving effect to that scheme.

My Lords conceive that their opinion is invited simply on the financial aspect of the case. With regard to its legal aspect, as affecting the rights of the existing creditors of Egypt, they understand that the Law Advisers of the Crown have been consulted, and have expressed an opinion favourable to the equity of the proposed arrangement. On this point, therefore, my Lords conceive that they are not called upon to form a judgment.

With this reserve, my Lords are aware of no reason why Her Majesty's Government should withhold its consent to the Decree. Indeed, from the financial point of view, which they conceive to be the only aspect of the case submitted to their judgment, the advantages arising to Egypt are obvious, and my Lords can only rejoice that the improvement in the credit of Egypt has enabled the Government of the Khedive to undertake a step calculated materially to lighten the burdens and to promote the prosperity of that country.

I am, &c.

(Signed) R. E. WELBY.

No. 129.

Foreign Office to Treasury.

Sir, *Foreign Office, June* 1, 1889.

WITH reference to my letter of the 30th ultimo respecting the proposed conversion of Egyptian Preference stock, I am directed by the Marquis of Salisbury to transmit to you, to be laid before the Lords Commissioners of Her Majesty's Treasury, the official application on the subject which has to-day been received by his Lordship from the Egyptian Government.

I am, &c.
(Signed) P. CURRIE.

No. 130.

The Marquis of Salisbury to Sir E. Baring.

(No. 56.)
(Telegraphic.) *Foreign Office, June* 1, 1889, 9·15 P.M.

YOUR despatch No. 236 of 24th: Conversion of Preference stock.

Her Majesty's Government assent to issue of Decree on understanding that Egyptian Government are alone responsible for details of scheme. Manner of communicating with minor Powers must stand over.

No. 131.

The Marquis of Salisbury to Sir E. Baring.—(Substance telegraphed.)

(No. 182. Ext. 56.)
Sir, *Foreign Office, June* 1, 1889.

I HAVE received your despatch No. 236 of the 24th ultimo, inclosing copy of a Circular which the Egyptian Minister for Foreign Affairs has addressed to the Representatives of the Great Powers, inviting their adhesion to the draft of a Decree for the conversion of the Egyptian 5 per Cent. Privileged Debt, and of the 4½ per Cent. Loan of last year.

I have consulted the Lords Commissioners of Her Majesty's Treasury on the subject, and inclose a copy of their reply for your information.

You may inform the Egyptian Minister for Foreign Affairs that Her Majesty's Government are prepared to assent to the issue of the Decree in question upon the understanding that the Egyptian Government are alone responsible for the details of the proposed scheme of conversion.

The form of communication to be made to the minor Powers can be considered later on.

I am, &c.
(Signed) SALISBURY.

No. 132.

Sir W. White to the Marquis of Salisbury.—(Received June 2, 6·50 P.M.)

(No. 27. Secret.)
(Telegraphic.) *Constantinople, June* 2, 1889, 4·10 P.M.

I HEAR, on fairly good authority, that Porte will make a demand for privileged position being granted by the Powers to the tribute it receives from Egypt, with a view to conversion of its loan guaranteed by that tribute, by which it would, of course, expect to realize some money.

This demand to be made, it is alleged, on the receipt of the application which the Ottoman Government expects with regard to the conversion of the Egyptian Privileged Debt, which is now supposed to be in progress.

Your Lordship will, I dare say, remember that some such plan with regard to the tribute was in contemplation during the negotiation of Sir H. Wolff's Convention.

I further hear that the French Government is prepared to give its support

to such a scheme, and to obtain that of Russia, provided the Porte gives it satisfaction on the subject of the long-pending question as regards the status of Algerians and Tunisians in the Ottoman Empire, a question which has caused, it is believed, some irritation lately.

No. 133.

Sir W. White to the Marquis of Salisbury.—(Received by telegraph, June 2.)

(No. 200. Ext. 27.)
My Lord, *Constantinople, June* 2, 1889.

I AM informed upon fairly good authority that the Turkish Government intends to make a demand for the grant by the Powers of a privileged position to the tribute derived by it from Egypt with a view to the conversion of its loan guaranteed by that tribute, by which it would naturally hope to raise some money. This demand, it is stated, will be made on the receipt of an application which is expected by the Porte, in connection with the conversion of the Egyptian Privileged Debt, now believed to be in progress.

It may be within your Lordship's recollection that some such scheme with regard to the Egyptian tribute was contemplated at the time of the negotiations carried on here by Sir Henry Drummond Wolff.

I am further informed that the French Government is prepared to support the above plan, and to secure for it the support of Russia, on condition that the Porte satisfies the claims of France with regard to the question which has long been pending, and is believed to have recently created a certain irritation, of the status within the Ottoman dominions of natives of Algeria and Tunis.

I have, &c.
(Signed) W. A. WHITE.

No. 134.

The Marquis of Salisbury to Sir. E. Malet.

(No. 201.)
Sir, *Foreign Office, June* 3, 1889.

COUNT LEYDEN, First Secretary of the German Embassy, called here to-day, and said that, if agreeable to Her Majesty's Government, his Government were prepared to assent to the Khedivial Decree for effecting a conversion of the Egyptian Debt, without making the usual reservation that the consent of all the other Powers shall be obtained.

It is understood that Baron Richtofen has strongly advised the German Government to dispense with this proviso.

Count Leyden was informed that Her Majesty's Government have given their assent to the Decree without this reservation, and that they would be glad if the German Government would do the same.

I am, &c.
(Signed) SALISBURY.

No. 135.

The Marquis of Salisbury to Mr. Egerton.

(No. 257.)
Sir, *Foreign Office, June* 5, 1889.

THE French Ambassador informed me to-day that his Government had received from the Egyptian Government an application for the sanction of France to the proposed conversion of the Privileged Debt of Egypt.

His Excellency said that some points of detail would probably be raised by the French Minister for Foreign Affairs, but that he was not instructed to offer any general objection to the proposal.

The French Government, however, thought the opportunity a suitable one for inquiring of Her Majesty's Government what progress was being made in the pro-

cesses which, in our view, were a necessary preliminary to our evacuation of Egypt, and whether the policy of Her Majesty's Government had undergone any change in that respect.

It was, his Excellency observed, evident that the mere fact of the Egyptian Government being enabled to convert its debt from an interest of 5 per cent. to an interest of 4 per cent. was a proof of financial prosperity, which prevented the plea of financial disorder from being advanced as a ground for the continued presence of British troops in the country.

I replied that no change had taken place in the policy of Her Majesty's Government in this respect. We had always been of opinion that the occupation of Egypt was a burden on this country, considerable even in time of peace, but likely to be more onerous in the contingency of war; and great authorities had combined here to express a desire that that occupation might not be permanent. But we felt that circumstances had imposed upon us an obligation towards the Egyptian Ruler and people from which we were not at liberty to withdraw, and that it would not be in honour open to us to recall our troops from Egypt, except under conditions which would assure to us its safety from external attack and internal disorder when that evacuation had taken place.

Such an assurance might be procured in one of two ways. We might wait until the Egyptian Government, by the slow procedure of good administration, and by the thrifty husbandry of its resources, should have reached a financial and military position which would secure it against the evils that we apprehended.

I could not say that, at the present time, such a position had been nearly reached. It was true that Egypt was on the point of effecting an advantageous conversion of her debt, but I asked M. Waddington what chance he thought there would have been of effecting that conversion if the English troops had not been in occupation of Cairo. The occupation was an essential condition of the confidence by which alone the conversion had become possible. The military condition of the Egyptian frontiers was not at present reassuring. The activity of the Dervishes was substantially unabated; and though they had been repelled on one side from Suakin, and had possibly been worsted by the troops of Senoussi on the other, they still remained powerful and menacing neighbours, always ready for an inroad upon Egppt if they discerned any symptom of weakness on her part. This danger might be diminished by the disappearance of the Mahdi rule, or by the growth of the military power of Egypt to a point which would make the antagonism of the Dervishes unimportant; but at present it constituted an element of instability which we were bound to take into account.

I admitted, however, that the attainment of full security to Egypt in this manner might be a long process. We had once thought that with the good-will of the Great Powers that process might be materially shortened. By the Convention which Sir Henry Drummond Wolff had concluded at Constantinople we had engaged, first, to withdraw our troops to Alexandria, a measure which, in the eyes of the Government and the natives of Egypt, would give a different complexion to the British occupation; and, secondly, to withdraw our troops altogether from the Egyptian soil on the condition that we received a conventional right to renew the occupation on the appearance of any external or internal danger to the tranquillity of Egypt. That Treaty had failed to obtain final ratification, owing principally to the action of France at Constantinople. I regretted its fate exceedingly. I thought that it might have led to a state of things more agreeable both to France and to England than that which it would have replaced. But since the refusal of the Sultan to ratify that Convention, Her Majesty's Government had laid the matter aside, and had made up their minds that they must wait until Egypt became, in the process of time, strong enough in finance and in public force to maintain without foreign assistance her own security and order.

M. Waddington, in reply, admitted that he had deplored the failure of the Convention of Sir Henry Drummond Wolff, because he was convinced that the powers which we nominally took we never should have had occasion to exercise; but he was bound to add that he now much regretted that we did not take this opportunity of bringing this thorny question to an end. All things, his Excellency observed, were possible in France. It was impossible to say what sort of Government at any given time would be in power, and if this question were left unsettled, there might always be the temptation to a Government seeking for illegitimate sources of support to try and strengthen itself by a cheap appeal to the feelings and the sympathies of the Chauvinist section of the French community.

I replied that any attempt on the part of France to interfere with the English position in Egypt would be the reverse of a cheap appeal to Chauvinist sympathizers.

M. Waddington expressed his conviction that the English people would not move beyond a certain point in defence of the occupation of Egypt.

I assured him that, as far as I was any judge of their feelings, he was entirely mistaken, and that I thought that they would refuse to admit any external pressure upon this question, and that Her Majesty's Government had gone quite as far as they could safely go when they consented to Sir Henry D. Wolff's Convention. I did not concur with him in the danger of delay. I hoped that when the French Government could withdraw their attention from absorbing internal questions, they might be able to see their way to come to some agreement with Her Majesty's Government upon the basis which, as I had indicated to him, were the only ones that were consonant with justice to the people of Egypt, and, therefore, the only ones that the English people could accept.

M. Waddington intimated that he should renew the question at some future time.*

I am, &c.
(Signed) SALISBURY.

No. 136.

Mr. Egerton to the Marquis of Salisbury.—(Received June 5.)

(No. 33.)
(Telegraphic.)

Paris, June 4, 1889, 10·20 P.M.

ANSWER of Minister for Foreign Affairs in Chamber to question respecting Egyptian conversion and evacuation guarded; admitting, however, that the examination of the first question led to examination of the latter; and that Egypt left to itself would receive different treatment from Egypt occupied by British troops.

No. 137.

The Marquis of Salisbury to Mr. Dering.

(No. 122.)

Foreign Office, June 5, 1889.

Sir,

THE Italian Chargé d'Affaires called to-day and said that his Government, in deference to the wishes of Her Majesty's Government, were disposed to adhere in principle to the draft Decree for the conversion of the Egyptian Privileged Debt, if the Commissioners of the Caisse de la Dette Publique, who represented the interests of the creditors of Egypt, agreed to it.

M. Catalani added that Signor Crispi thought that the new loan ought not to take the place of the Privileged Debt, or have precedence over the Unified Debt, and that the saving in annual interest, which would result from the conversion, would be best applied to the re-establishment of a sinking fund, and to the diminution of the land tax.

On these points, Signor Crispi would be glad to learn my views.

M. Catalani was informed, in reply, that Her Majesty's Government had accepted the Decree upon the understanding that the responsibility for the details of the conversion scheme rested with the Egyptian Government.

It was pointed out to him that the arrangement had been negotiated by Baron Richthofen, one of the Commissioners of the Caisse, and that it was therefore obvious that it was approved by that body, who might be trusted to attend sufficiently to the interests of the bondholders.

In conclusion, he was told that Her Majesty's Government would be glad if the Italian Government would give their consent to the Decree at once, without a reservation as to the assent of the other Powers.

M. Catalani promised to telegraph to his Government in this sense.

I am, &c.
(Signed) SALISBURY.

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* For subsequent conversations on this subject, see Egypt series.

No. 138.

Mr. Egerton to the Marquis of Salisbury.—(Received June 6.)

(No. 271.)
My Lord, *Paris, June 5, 1889.*

WITH reference to my telegram No. 33 of yesterday, I have the honour to report to your Lordship that, in yesterday's sitting of the Chamber, M. Faure put questions to the Minister for Foreign Affairs with reference to the conversion of the Egyptian Debt.

M. Spuller, in his answer, began by saying that the text of the Khedivial Decree specifying the conditions under which the conversion was to be effected had only been received last Saturday, although it could not be said that the proposal came as a surprise. As regarded the legality of the question, he might state that the French Agents in Egypt had always been of opinion that the Egyptian Government had the right to make this conversion. There was therefore reason to believe that the conversion was legitimate, legal, and within the powers of the Egyptian Government, but it was unnecessary for him to add that it could not be finally effected without the consent of the Powers. This had been fully recognized by the submission of the project to the approval of France and the other Powers interested. The proposal would require examination, and doubtless entail negotiations with other Powers, necessitating an exchange of views which had not yet commenced, and regarding which it would be premature to give any information.

As to the more delicate question of the evacuation of Egypt, he could only reply generally. The Government were of opinion that it would be impossible to approve of so grave and important a matter as the conversion of the Egyptian Debt without examining, as they were authorized to do by the repeated declarations of England, and by established precedents, the political questions relating to Egypt. That was both their right and their duty, and it was precisely at a moment when the prosperity, security, and tranquillity of Egypt were demonstrated by this conversion scheme that the time had arrived to consider whether the evacuation of Egypt had not become possible in accordance with the calculations of England, who had held out a prospect of it so frequently.

As regarded the French Government, he need not say that between the two things, *i.e.*, treating with an Egypt still controlled by English arms, and negotiating with an Egypt restored to its complete independence, there was room for a considerable change of policy.

In conclusion, M. Spuller, begged the Chamber to rely on the vigilance of the Government.

I have the honour to inclose, as a reference, the exact language used in the Chamber on this occasion, as published by the "Journal Officiel" of to-day.*

I have, &c.
(Signed) EDWIN H. EGERTON.

No. 139.

Sir E. Baring to the Marquis of Salisbury.—(Received June 6, 1·30 P.M.)

(No. 90.)
(Telegraphic.) *Cairo, June 6, 1889.*

GERMAN Government have signified their adherence to conversion scheme.

No. 140.

Sir E. Baring to the Marquis of Salisbury.—(Received by telegraph, June 6.)

(No. 248. Ext. 90.)
My Lord, *Cairo, June 6, 1889.*

I HAVE the honour to inform your Lordship that the German Government has signified to the Egyptian Government its adhesion to the conversion scheme.

I have, &c.
(Signed) E. BARING.

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* Not printed.

No. 141.

The Marquis of Salisbury to Sir E. Malet.

(No. 203.)
Sir, *Foreign Office, June 6, 1889.*

I LEARN from the German Ambassador that the German Representative at Cairo was instructed by telegraph on the 4th instant to notify to the Egyptian Government the unreserved adhesion of his Government to the proposed Decree for the conversion of the Egyptian Privileged Debt.

I have conveyed to Count Hatzfeldt my sense of the friendly manner in which the German Government has so promptly acceded to the request of the Egyptian Government.

I am, &c.
(Signed) SALISBURY.

No. 142.

Treasury to Foreign Office.—(Received June 7.)

Sir, *Treasury Chambers, June 6, 1889.*

I AM directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge the receipt of your letter of the 1st June, inclosing a copy of a despatch of Sir Evelyn Baring, forwarding the Circular of the Egyptian Government with reference to the conversion of the debt. The reply already sent to your letter of the 30th May contains the opinion of my Lords on the subject of the proposed conversion, and I am directed to state, for the information of the Marquis of Salisbury, that they have nothing to add to the views expressed in that letter.

I am, &c.
(Signed) FRANK MOWATT.

No. 143.

Sir E. Baring to the Marquis of Salisbury.—(Received June 7.)

(No. 22. Commercial.)
My Lord, *Cairo, May 28, 1889.*

I HAVE the honour to transmit herewith the Report of the Director-General of Customs for the year 1888.*

Your Lordship will observe that the receipts amounted to £ E. 955,000, and the expenditure to £ E. 99,000, leaving a net revenue of £ E. 856,000. After making allowance for certain items which do not in strictness concern the Custom-house Administration, it is calculated that the expenses amount to about 9 per cent. of the receipts.

The revenue shows an increase of £ E. 18,000 over that obtained in 1887. Modifications in the duties on the culture of native tobacco and on the importation of foreign tobacco caused the receipts from this source to exceed by about £ E. 43,000 those of the preceding year. The total falling-off in the receipts under all other heads amounts, therefore, to £ E. 25,000.

The expenditure has increased by £ E. 23,000, owing principally to the coast-guard having been increased in view of the new measures concerning the importation of tobacco. The net result for 1888 is therefore £ E. 5,000 inferior to that of 1887.

I have also the honour to transmit the statistics of the foreign commerce of Egypt during the year 1888.* This subject has been very fully discussed by me in my recent despatches on the subject of the proposed Commercial Convention between England and Egypt, and it will be unnecessary to trouble your Lordship with any further observations on the present occasion.

I have, &c.
(Signed) E. BARING.

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* Not printed.

No. 144.

Sir E. Baring to the Marquis of Salisbury.—(Received June 8, 9 A.M.)

(No. 91.)
(Telegraphic.) *Cairo, June 8, 1889.*

AUSTRIAN Government have adhered to conversion scheme.

No. 145.

Sir E. Baring to the Marquis of Salisbury.—(Received by telegraph, June 8.)

(No. 249. Ext. 91.)
My Lord, *Cairo, June 8, 1889.*

I HAVE the honour to inform your Lordship that the Austrian Government has signified its adhesion to the scheme for the conversion of the Preference stock.

I have, &c.
(Signed) E. BARING.

No. 146.

Sir E. Baring to the Marquis of Salisbury.—(Received June 9, 11·50 A.M.)

(No. 94.)
(Telegraphic.) *Cairo, June 9, 1889, 11 A.M.*

ITALIAN Consul-General has received authority to adhere to the conversion scheme.

No. 147.

Sir E. Baring to the Marquis of Salisbury.—(Received June 9, noon.)

(No. 93. Secret.)
(Telegraphic.) *Cairo, June 9, 1889, 9·40 A.M.*

YOUR telegram No. 58 of 3rd.

It is thought here that conversion does not require adhesion of the Porte, and that additional debt is covered by sanction given by the Sultan last year to borrow 5 millions. It is not, therefore, proposed to submit the matter to the Porte.

It would certainly not be worth while for the Porte to make any considerable concessions to France or Russia in order to obtain a privileged position for the Tribute; although it is impossible to point to any very distinct text on the subject. As a matter of fact, the Tribute already occupies a privileged position.

It might be made a first charge, not on the whole Budget, but on the Administrative Budget, without the consent of the Powers.

Neither do I imagine that any such proposal would, on its own merits, meet with much opposition here, although the Egyptian Government might ask for some counter-concession, probably in vexatious Raftieh question.

No. 148.

The Marquis of Salisbury to Mr. Dering.

(No. 23.)
(Telegraphic.) *Foreign Office, June 11, 1889, 2·25 P.M.*

BARING reports adhesion of Italian Government to conversion scheme.

Thank Signor Crispi for his prompt action in matter.

No. 149.

The Marquis of Salisbury to Mr. Dering.—(Substance telegraphed.)

(No. 126. Ext. 23.)
Sir, *Foreign Office, June 11, 1889.*

I LEARN from Her Majesty's Agent and Consul-General in Egypt that the Italian Representative at Cairo has been authorized to assent to the Decree for effecting a conversion of the Egyptian Privileged Debt.

I should wish you to thank Signor Crispi for the prompt manner in which he has notified the adhesion of the Italian Government.

I am, &c.
(Signed) SALISBURY.

No. 150.

Sir E. Baring to the Marquis of Salisbury.—(Received June 14.)

(No. 246.)
My Lord, *Cairo, June 6, 1889.*

I HAVE the honour to transmit herewith an extract from the "Journal Officiel" of yesterday giving the usual monthly Statement of the Commissioners of the Caisse as to the condition of the Guaranteed Loan, the Privileged Debt, the Unified Debt, and the 4½ per Cent. Loan on the 31st May.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 150.

Extract from the "Journal Officiel" of June 5, 1889.

CAISSE DE LA DETTE PUBLIQUE.

Mois de Mai 1889.

État Mensuel des Sommes versées à la Caisse de la Dette Publique.

Emprunt Garanti 3 pour Cent.

	£	s.
Échéance du 1er Septembre, 1889—		
Capital restant à amortir	9,131,600	0
Dotation d'intérêts	136,974	0
Dotation d'amortissement	20,526	0
Total égal à la demi-annuité à prélever le 15 Août, 1889, comme première charge sur les revenus affectés au service de la Dette Privilégiée et de la Dette Unifiée.. ..	157,500	0

DETTE PRIVILÉGIÉE.

	£	s.
Échéance du 15 Octobre, 1889—		
Capital restant à amortir	22,296,800	0
Dotation d'intérêts	557,420	0

Nota.—Le complément des dotations de la Dette Privilégiée est prélevé sur les revenus de la Dette Unifiée.

Désignation des Administrations dont les Revenus sont affectés au service de la Dette Privilégiée.	Sommes versées— Du 1er au 31 Mai, 1889.	Sommes versées— Du 15 au 30 Avril, 1889.	Totaux au 31 Mai, 1889.
	£ E. m.	£ E. m.	£ E. m.
Chemins de Fer, Télégraphes, et Port d'Alexandrie..	39,000 000	29,250 000	68,250 000
		Soit ..	70,000*l.*

Dette Unifiée.

	£	s.
Échéance du 1er Novembre, 1889—		
Capital restant à amortir	55,988,920	0
Dotation d'intérêts	1,119,778	8

Désignation des Administrations et Provinces dont les Revenus sont affectés au Service de la Dette Unifiée.	Sommes versées— Du 1er au 30 Mai, 1889.	Sommes versées— Du 26 au 30 Avril, 1889.	Totaux au 31 Mai, 1889.
	£ E. m.	£ E. m.	£ E. m.
Province de Garbieh	..	..	..
„ Menoufieh	..	..	..
„ Béhéra	..	..	..
„ Siout	65,000 000	..	65,000 000
Douanes	27,686 784	7,250 000	34,936 784
Droits sur les tabacs d'importation . ..	24,650 000	6,850 000	31,500 000
Excédent au 25 Avril, 1889	..	..	466,531 582
	117,336 784	14,100 000	597,968 366
		Soit ..	613,301*l.*

Emprunt 4½ pour Cent.

	£	s.	d.
Échéance du 20 Juin, 1889—			
Capital d'émission	2,330,000	0	0
Dotation d'intérêts	52,425	0	0
Dotation d'amortissement	14,241	13	4
Total égal à la demi-annuité	66,666	13	4

Au service de cet Emprunt est affectée une annuité de £E. 130,000 payable par versements mensuels du Ministère des Finances.	Versement de Mai 1889.	Versements de Janvier–Avril 1889.	Totaux au 31 Mai, 1889.
	£E. m.	£E. m.	£E. m.
Versements du Ministère	10,833 333	43,333 333	54,166 666
		Soit ..	55,555*l.*

Le Caire, le 3 *Juin* 1889.

Les Commissaires-Directeurs,
(Signé) Prince A. MOUROUSI.
G. LE CHEVALIER.
G. B. MACHIAVELLI.
A. MONEY.

Pour copie conforme :
Le Contrôleur,
(Signé) W. Mog.

No. 151.

Sir E. Baring to the Marquis of Salisbury.—(Received June 14.)

(No. 247.)

My Lord, *Cairo, June* 6, 1889.

I HAVE the honour to transmit herewith a Table published in the "Journal Officiel" of yesterday showing the state of the Domains Loan on the 31st May.

A foot-note to this Table states that a drawing to the amount of 268,560*l.* took place on the 20th May. The effect of this will be to reduce the actual outstanding capital of the loan to the sum of 5,262,260*l.*

I have, &c.
(Signed) E. BARING.

Inclosure in No. 151.

Extract from the "Journal Officiel" of June 5, 1889.

Emprunt Domanial.

Situation de l'Emprunt Domanial au 31 Mai, 1889, d'après le travail de vérification confié à la Caisse de la Dette Publique.

	£ s.	£ E. m.	£ E. m.
Capital nominal de la Dette au 30 Novembre, 1888, déduction faite des rachats effectués avec les produits des ventes immobilières			5,822,060 000
Titres rachetés avec les produits des ventes immobilières du 1er Décembre, 1888, au 31 Mai, 1889			41,540 000
Reste capital de la Dette			5,780,520 000
Dotation d'intérêts du 1er Juin, 1889 ..	144,513 0		
Capital nominal des titres rachetés avec les produits autres que les ventes d'immeubles au 30 Novembre, 1888	..	243,640 000	
Obligations rachetées avec les intérêts des titres rachetés avec les annuités fixes au 31 Mai, 1889	..	6,060 000	
			249,700 000
Capital nominal des titres en circulation	..	..	5,530,820 000*
Dotation d'intérêts des titres en circulation .	138,270 10		
Différence à employer en achats de nouveaux titres	6,242 10†		

* Un amortissement par tirage de 268,560*l.* nominales a eu lieu le 20 Mai, 1889, et figurera sur le prochain état semestriel.

† Effectives.

Le Caire, le 3 *Juin*, 1889.

No. 152.

Sir A. Paget to the Marquis of Salisbury.—(Received June 14.)

(No. 163.)

My Lord, *Vienna, June* 12, 1889.

COUNT KÁLNOKY informed me to-day that he had given his unconditional consent to the proposal of the Egyptian Government for the conversion of the 5 per Cent. Privileged Debt, which had been communicated to him through the Austro-Hungarian Agent and Consul-General at Cairo.

I have, &c.
(Signed) A. PAGET.

No. 153.

The Marquis of Salisbury to Sir E. Baring.

(No. 62.)

(Telegraphic.) *Foreign Office, June* 14, 1889, 8·30 P.M.

YOUR telegram No. 96.

Communications are still going on, and any discussion with the Egyptian Government would be at present undesirable.

No. 154.

The Marquis of Salisbury to Sir E. Baring.—(Substance telegraphed.)

(No. 195A. Ext. 62.)

Sir, *Foreign Office, June* 14, 1889.

I HAVE received your telegram No. 96 of to-day, inquiring whether you should read to the Khedive and to Riaz Pasha my despatch to Her Majesty's Minister at Paris of the 5th instant, recording my conversation with M. Waddington relating to Egypt and the proposed conversion of the Preference Debt.

I have to state that as the communications are still going on, it would, in my opinion, be undesirable to raise any discussion on the subject with the Egyptian Government at the present moment.

I am, &c.
(Signed) SALISBURY.

No. 155.

The Marquis of Salisbury to Sir A. Paget.

(No. 13.)
(Telegraphic.) *Foreign Office, June* 17, 1889, 1·30 P.M.

YOUR despatch No. 163 of 12th.

Thank Austrian Government for prompt assent to Egyptian proposal for conversion of Privileged Debt.

No. 156.

The Marquis of Salisbury to Sir A. Paget.—(Substance telegraphed.)

(No. 104. Ext. 13.)

Sir, *Foreign Office, June* 17, 1889.

I HAVE received your Excellency's despatch No. 163 of the 12th instant, and I shall be glad if you will convey to Count Kálnoky the thanks of Her Majesty's Government for his prompt assent to the proposals of the Egyptian Government respecting the conversion of the Preference Debt.

I am, &c.
(Signed) SALISBURY.

No. 157.

Sir E. Baring to the Marquis of Salisbury.—(Received June 18, 12·5 P.M.)

(No. 97. Secret.)
(Telegraphic.) *Cairo, June* 18, 1889, 11·28 A.M.

EGYPTIAN authorities here appear to me to be conducting their conversion negotiations very unskilfully.

Russian Government say they will agree, but express opinion that all the economy should go to sinking fund. Riaz Pasha wishes to concede this point at once. There is no object whatever in making this concession at all events until French Government have stated their opinion. Sir E. Vincent was consulted, and gave very good advice, but they now wish to set aside his opinion.

I am interfering very little as I understand Her Majesty's Government do not want to be responsible for any of the details. But it would be as well to see Sir E. Vincent at once and send me somewhat strong instructions if you want me to support him. Ground for interference would be that generally in these matters due attention must be paid to the opinion of the Financial Adviser. Any action taken should be very prompt.

No. 158.

The Marquis of Salisbury to Sir E. Baring.

(No. 63.)
(Telegraphic.) *Foreign Office, June* 18, 1889, 3·15 P.M.

YOUR telegram No. 97 of to-day.

You may urge Riaz Pasha to hold back his reply until French Government have stated their views, and then not to act without hearing opinion of their Financial Adviser.

No. 159.

The Marquis of Salisbury to Sir E. Baring.

(No. 65.)
(Telegraphic.) *Foreign Office, June* 20, 1889.

YOUR telegram No. 98 of to-day: Conversion.

We have no positive information, but Richthofen thinks French Government are waiting until the Chamber separates, and will probably then accept.

No. 160.

Sir E. Baring to the Marquis of Salisbury.—(Received June 20, 12·30 P.M.)

(No. 98.)
(Telegraphic.) *Cairo, June* 20, 1889, 12·5 P.M.

RUSSIAN Government have now stated more explicitly their views about the conversion. They maintain their reserve as regards employment of the economies, and they point out, as regards new loan of 1,200,000*l.*, that consent of the Caisse is necessary under the Law of Liquidation.[1]

Can you give me any information as to prospects of French adherence?

No. 161.

Sir E. Baring to the Marquis of Salisbury.—(Received by telegraph, June 20.)

(No. 262. Ext. 98.)

My Lord, *Cairo, June* 20, 1889.

SOME days ago M. Koyander, the Russian Consul-General, communicated verbally to Riaz Pasha the reply of his Government to the Circular inclosed in my despatch No. 236 of the 24th May, with reference to the proposed conversion scheme. He stated that the Russian Government had no objection to the scheme for the conversion of the Preference stock, but that they thought that the economies resulting therefrom should be devoted to the sinking fund. Riaz Pasha thereupon asked M. Koyander to represent to his Government the expediency of dispensing with this condition. The reply of the Russian Government to this request has now been received, and I have the honour to inclose a copy herewith.

Your Lordship will observe that, while maintaining their reserve as regards the employment of the economies, the Russian Government have only adhered to that portion of the scheme which has reference to the conversion of the Preference stock, and that as regards the proposed new loan of £ E 1,200,000, they point out that, under the Law of Liquidation, the consent of the Caisse de la Dette is necessary.

I should be much obliged if your Lordship could give me any information as to the prospects of obtaining the adhesion of the French Government to the proposal under consideration.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 161.

Reply of the Russian Government to the Circular respecting the Conversion Scheme.

LE Gouvernement Impérial ne croit pas pouvoir renoncer à sa réserve concernant l'emploi des économies résultant de la conversion. Quant au nouvel emprunt de £ E. 1,200,000, le Gouvernement Impérial rappelle à celui de Son Altesse le Khédive qu'aux termes de la Loi de Liquidation il est tenu de demander l'avis de la Commission de la Dette.

No. 162.

Mr. Egerton to the Marquis of Salisbury.—(Received June 24, 5·45 P.M.)

(No. 35.)
(Telegraphic.) *Paris, June 24, 1889, 4·25 P.M.*

FOLLOWING received from Sir E. Vincent:—

"Baron Richthofen saw M. de Charmes this morning. Latter made following statement:

"'French Government are very anxious to give adhesion to Conversion Decree, and are convinced that an arrangement could quickly be arrived at regarding the few financial modifications which they desire to introduce. The general conditions of the conversion appear favourable, but the French Government subordinate their acceptance to the result of the negotiation entered into with England on the subject of the evacuation. If there is no arrangement of this question before the 30th June, the last day for which the banks are bound, French Government will express its regret to the Egyptian Government that, in the absence of concessions on the part of the English Government, it is impossible for them to accept the conversion. M. de Charmes added that the very slight concessions demanded by France are already known to Lord Salisbury.'"

Sir A. Vincent returns to London this afternoon.

No. 163.

Sir E. Baring to the Marquis of Salisbury.—(Received June 25, 2 P.M.)

(No. 100.)
(Telegraphic.) *Cairo, June 25, 1889.*

AT the instance of Russian Government, Caisse were consulted about new loan. They have replied assenting.

No. 164.

Sir E. Baring to the Marquis of Salisbury.—(Received by telegraph, June 25.)

(No. 264. Ext. 100.)
My Lord, *Cairo, June 25, 1889.*

IN my despatch No. 262 of the 20th instant, I reported to your Lordship that the Russian Government were of opinion that the consent of the Caisse de la Dette was necessary to the proposed new loan of £ E. 1,200,000 which forms part of the conversion scheme at present under the consideration of the Powers. The Egyptian Government accordingly consulted the Caisse with reference to this point, and I have now the honour to inclose a copy of their reply, from which your Lordship will see that they have agreed to the loan in question.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 164.

M. Machiavelli to Riaz Pasha.

M. le Ministre, *Le Caire, le 25 Juin, 1889.*

NOUS avons eu l'honneur de recevoir vos lettres en date d'hier, par lesquelles le Gouvernement nous demande de consentir à un emprunt de £ E. 1,200,000, dont une partie serait destinée à des travaux d'irrigation et de drainage dans la Basse- et Haute-Égypte, travaux pour lesquels le Gouvernement s'engage à ne nous demander aucun versement sans nous faire connaître au préalable leur spécification dans la forme établie pour l'emploi du million de livres affecté par la Convention de Londres à des travaux de même nature, et que, pour chaque versement, le travail auquel il sera destiné nous sera indiqué aussi approximativement que possible.

Nous vous déclarons, M. le Ministre, consentir en ce qui nous concerne, à l'emprunt de £ E. 1,200,000 dont il s'agit, à la condition bien entendu que toutes les Puissances auxquelles a été adressée la Circulaire du Ministère des Affaires Étrangères, en date du 28 Mai dernier, auront donné leur adhésion au projet de Décret qui y est joint et que ce Décret pourra, par conséquent, être promulgué.

Veuillez, &c.
Le Commissaire de Service,
(Signé) G. B. MACHIAVELLI.

No. 165.

The Marquis of Salisbury to Sir E. Baring.

(No. 66.)
(Telegraphic.) *Foreign Office, June 25, 1889, 4·20 P.M.*

VINCENT has telegraphed *en clair* to the Egyptian Government as follows:—

"The English Government will decline to consider the question of evacuation with the question of conversion. I think that further negotiation with France is useless, and I suggest that, after 30th June, the five Powers be thanked for having accepted the conversion. Egyptian Government might add that conversion is impossible owing to refusal of France to assent.

"It might be pointed out in the press that French refusal costs Egyptian population 4,000,000 fr. a-year, and stops continuation of public works."

No. 166.

Sir E. Baring to the Marquis of Salisbury.—(Received June 27.)

(No. 258.)
My Lord, *Cairo, June 18, 1889.*

WITH reference to your Lordship's despatch No. 133 of the 12th April, I have the honour to transmit herewith a Khedivial Decree issued in place of the Decree of the 2nd April, 1888, relative to the partial suppression of the corvée. The new Decree has now received the assent of the Powers concerned.

I have, &c.
(Signed) E. BARING.

Inclosure in No. 166.

Extract from the "Journal Officiel" of June 17, 1889.

Décret.

NOUS, Khédive d'Égypte,

Considérant qu'il importe à la prospérité agricole de l'Égypte que la charge de la corvée soit réduite dans les plus strictes limites;

Considérant qu'il y a lieu, en même temps, de ne plus laisser aucune recette et aucune dépense hors Budget et qu'en conséquence notre Gouvernement devra notamment faire figurer dans les rentrées budgétaires, à partir de 1887, les produits du rachat des prestations, ainsi que toutes les recettes, de quelque nature qu'elles soient, qui pourraient être créées à l'avenir, et devra porter leur emploi en dépenses;

Sur la proposition de notre Conseil des Ministres;

Avons décrété et décrétons, avec l'assentiment des Puissances :

Article 1er. A partir de 1887, la somme de £ E. 5,237,000, à laquelle ont été arrêtées les dépenses administratives annuelles du Gouvernement, aux termes de l'Article 18 de notre Décret du 27 Juillet, 1885, pourra être augmentée dans les conditions ci-après déterminées :—

1. Du produit du rachat des prestations effectué dans le cours de l'année précédente, conformément à notre Décret du 25 Janvier, 1881.

2. D'une somme de £ E. 250,000.

Ces crédits devront être exclusivement affectés à des travaux actuellement faits au moyen de la corvée, ou à des travaux d'art ou de maçonnerie devant avoir pour conséquence une réduction de la corvée.

Ces augmentations devront élever d'une somme égale dans les Budgets ultérieurs les crédits ouverts par le Budget de 1887 au Ministère des Travaux Publics.

Art. 2. La Caisse de la Dette aura le droit de vérifier l'emploi régulier de tous les crédits ouverts au Ministère des Travaux Publics.

En ce qui concerne les crédits du Budget ordinaire des travaux publics, crédits évalués à £ E. 464,623, la preuve de leur emploi régulier résultera pour la Caisse de la Dette de la production d'un état dressé par chapitres et sous-chapitres par le Ministère des Finances, et constatant que les crédit sont été intégralement consacrés au paiement de dépenses de travaux publics.

Pour les crédits venant en augmentation de la somme de £ E. 5,237,000, c'est-à-dire pour le crédit de £ E. 250,000 et pour celui qui sera ouvert dans la limite du produit du rachat des prestations, leur emploi régulier sera prouvé par la production à la Caisse de la Dette des pièces comptables justifiant les dépenses qui auront été faites.

Art. 3. Si les crédits du Budget ordinaire des travaux publics venaient à être inférieurs à £ E. 464,623, ou si cette somme n'était pas intégralement dépensée, l'augmentation des dépenses administratives autorisée par le présent Décret serait réduite d'une somme égale soit à la diminution des crédits, soit au montant des crédits non employés.

Art. 4. L'emploi et la répartition entre les diverses Moudiriehs de la somme ci-dessus énoncée de £ E. 250,000, seront déterminés chaque année par Décret. La répartition en sera faite équitablement entre toutes les provinces affectées ou non affectées, la Commission de la Dette préalablement consultée.

Si, au cours de l'année, la nécessité de travaux imprévus venait à se produire, une nouvelle répartition pourra être faite par le Ministère des Travaux Publics qui en avisera la Caisse de la Dette. Notre Ministre des Travaux Publics nous adressera, à la fin de chaque année, un Rapport qui sera publié dans le "Journal Officiel," et dans lequel il nous rendra compte du nombre dos journées de corvée qui auront été réellement demandées à la population, et des réductions dont il aura pu lui procurer le bénéfice sur la moyenne qui lui avait été imposée dans les quatre dernières années, d'après l'état publié par le "Journal Officiel" du 30 Juin, 1886.

Les réductions obtenues par les travaux d'art ou de maçonnerie mentionnées à l'Article 1er, soit dans l'année de leur exécution, soit dans les années subséquentes, seront indiquées séparément pour chaque travail, dans le dit Rapport.

Art. 5. Les dépenses administratives autorisées par le Décret du 27 Juillet, 1885, pourront également être augmentées des sommes nécessaires à l'exploitation des mines de pétrole, sans toutefois que cette augmentation puisse dépasser la somme de £ E. 40,000 en 1887, et, dans les années ultérieures, le produit de l'exploitation de ces mines.

Art. 6. Nos Ministres des Finances et des Travaux Publics sont chargés, chacun en ce qui le concerne, de l'exécution du présent Décret.

Fait au Palais de Ras-el-Tin, le 14 Juin, 1889 (16 Chawal, 1306).

(Signé) MÉHÉMET TEWFIK.

Par le Khédive :
Le Président du Conseil des Ministres,
Ministre des Finances,
(Signé) RIAZ.
Le Ministre des Travaux Publics,
(Signé) MOHAMED ZÉKI.

No. 167.

Sir A. Paget to the Marquis of Salisbury.—(Received June 27.)

(No. 181A.)

My Lord, *Vienna, June 24, 1889.*

IN accordance with the instructions contained in your telegram No. 13 of the 17th instant, I have the honour to state that I have expressed the thanks of Her Majesty's Government to Count Kálnoky for the prompt assent given by the Austro-Hungarian Government to the conversion of the Egyptian Privileged Debt, as reported in my despatch No. 163 of the 12th instant.

I have, &c.
(Signed) A. PAGET.

No. 168.

Sir E. Baring to the Marquis of Salisbury.—(Received June 29, 3·15 P.M.)

(No. 101.)
(Telegraphic.) *Cairo, June 29, 1889, 2·39 P.M.*

THE French Consul-General informed Riaz Pasha officially this morning that the French Government, not having been able to solve the political question in connection with Egypt which has recently been under discussion with Her Majesty's Government, regretted that they could not adhere to the conversion before the contract with the banks expires.

Russian Government have given no definite official reply.

(Confidential.)

Great irritation prevails here against the French Government, and, so far as I can judge, their action is blamed even by those whose sympathies are French.

No. 169.

Sir E. Baring to the Marquis of Salisbury.—(Received by telegraph, June 29.)

(No. 269. Ext. 101.)

My Lord, *Cairo, June 29, 1889.*

I HAVE the honour to report to your Lordship that Count d'Aubigny informed Riaz Pasha officially this morning that the French Government, not having been able to solve the political question in connection with Egypt which has recently been under discussion with Her Majesty's Government, regretted that they could not adhere to the Conversion Circular before the contract with the bankers expires.

The Russian Government has given no definite official reply.

(Confidential.)

Great irritation prevails here against the French Government, and, so far as I can judge, their action is blamed even by those whose sympathies are French.

I have, &c.
(For Sir E. Baring),
(Signed) F. S. CLARKE.